AIDA PHARMACEUTICALS INC
Form 10QSB
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-QSB

(Mark One)

S

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

£

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from ______________ to _____________

Commission file number **000-50212**

AIDA PHARMACEUTICALS, INC.

(Exact name of small business issuer as specified in its charter)

Nevada	**81-0592184**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

31 Dingjiang Road, Jianggan District, Hangzhou, China	**310016**
(Address of principal executive offices)	(Zip Code)

Issuer s telephone number **86-0571-85802712**

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issues (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes S No £

Indicate by check mark whether the registrant is a shell company (as defined in Rule 13b-2 of the Exchange Act).

Yes £ No S

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes £ No £

APPLICABLE ONLY TO CORPORATE ISSUES

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date:

As of August 10, 2007, there were 27,000,000 shares of $.001 par value common stock issued and outstanding.

Transitional Small Business Disclosure Format (Check one): Yes £ No S

SEC2334(9-05)

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FORM 10-QSB

AIDA PHARMACEUTICALS, INC.

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(Inapplicable items have been omitted)

PART I FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

In the opinion of management, the accompanying unaudited condensed consolidated financial statements included in this Form 10-QSB reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

AIDA PHARMACEUTICAL, INC.

(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS		June 30, 2007 (Unaudited)		December 31, 2006
CURRENT ASSETS				
Cash and cash equivalents	$	9,616,389	$	6,116,816
Restricted cash		1,627,975		1,983,237
Accounts receivable, net of allowance for doubtful accounts of $651,231 and $639,208 as of June 30, 2007 and December 31, 2006, respectively		10,057,491		13,777,571
Notes receivable, net of discount of $31,889 and $70,717 as of June 30, 2007 and December 31, 2006, respectively		3,800,671		2,714,234
Inventories		3,950,253		2,806,945
Due from related parties		85,591		41,462
Deferred taxes		397,442		295,714
Other receivables, prepaid expenses, and other assets		178,178		146,694
Marketable securities		-		362,758
Due from employees		1,114,022		264,182
Prepayments for goods		231,160		118,327
Total current assets		31,059,172		28,627,940
Plant and equipment, net		14,114,900		13,977,611
Land use rights, net		3,803,110		3,747,225
Construction in progress		113,861		28,430
Patents, net		5,614,793		5,724,000
Long-term investments		295,749		295,749
Deposits		2,359,923		953,267

Deferred taxes		454,176		456,222
Total long-term assets		26,756,512		25,182,504
TOTAL ASSETS	$	57,815,684	$	53,810,444

LIABILITIES AND SHAREHOLDERS EQUITY

CURRENT LIABILITIES				
Accounts payable	$	2,084,975	$	3,332,174
Other payables and accrued liabilities		1,669,835		2,150,079
Advance for research and development		187,438		251,050
Short-term debt		28,403,497		23,915,452
Current portion of long-term debt		3,717,380		3,717,380
Due to related parties		27,063		27,063
Taxes payable		84,853		352,998
Customer deposits		1,049,936		335,391
Due to employees		357,172		122,440
Deferred taxes		85,145		172,844
Total current liabilities		37,667,294		34,376,871
LONG-TERM LIABILITIES				
Notes payable		1,920,934		1,920,934
Advance for research and development		1,045,151		1,065,478
Deferred taxes		971,950		917,530
Minority interests		5,619,660		5,177,413
Total long-term liabilities		9,557,695		9,081,355
TOTAL LIABILITIES		47,224,989		43,458,226
COMMITMENTS AND CONTINGENCIES				
SHAREHOLDERS EQUITY				
Common stock, $0.001 par value; 75,000,000 shares authorized; 27,000,000 shares issued and outstanding at June 30, 2007 and December 31, 2006		27,000		27,000
Additional paid-in capital		5,204,352		5,204,352
Retained earnings (the restricted portion is $998,149 at June 30, 2007 and December 31, 2006)		4,412,427		4,590,079

Accumulated other comprehensive income		946,916		530,787
Total shareholders equity		10,590,695		10,352,218
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$	57,815,684	$	53,810,444

See accompanying notes to condensed consolidated financial statements.

AIDA PHARMACEUTICALS, INC.

(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS

OF INCOME (LOSS) AND COMPREHENSIVE INCOME

(UNAUDITED)

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2007	2006	2007	2006
REVENUES, NET	$ 6,419,476	$ 7,284,888	$ 11,725,403	$ 12,599,694
COST OF GOODS SOLD	(3,605,286)	(3,579,700)	(6,583,264)	(6,554,934)
GROSS PROFIT	2,814,190	3,705,188	5,142,139	6,044,760
Selling and distribution	1,140,702	1,863,507	2,130,896	3,540,243
General and administrative	824,866	939,536	2,005,960	1,586,281
Research and development	36,914	-	169,951	-
INCOME FROM OPERATIONS	811,708	902,145	835,332	918,236
OTHER INCOME (EXPENSES)				
Interest expense, net	(372,716)	(384,500)	(716,503)	(653,191)

Government grants		-		43,124	50,106		503,587
Investment income		-		12,490	-		12,490
Gain on sale of marketable securities		-		-	119,538		-
Other (loss) income, net		(89,527)		31,403	(119,294)		71
INCOME BEFORE INCOME TAXES		349,465		604,662	169,179		781,193
INCOME TAXES		(107,691)		(130,270)	(39,826)		(227,110)
INCOME BEFORE MINORITY INTERESTS		241,774		474,392	129,353		554,083
MINORITY INTERESTS		(258,089)		(75,504)	(307,005)		(142,141)
NET (LOSS) INCOME		(16,315)		398,888	(177,652)		411,942
OTHER COMPREHENSIVE INCOME							
Foreign currency translation gain		521,628		22,918	522,761		90,151
OTHER COMPREHENSIVE INCOME BEFORE INCOME TAXES		521,628		22,918	522,761		90,151
INCOME TAXES RELATED TO OTHER COMPREHENSIVE INCOME		(137,710)		(7,563)	(138,009)		(29,750)
OTHER COMPREHENSIVE INCOME , NET OF INCOME TAXES		383,918		15,355	384,752		60,401
COMPREHENSIVE INCOME	$	367,603	$	414,243	$ 207,100	$	472,343

WEIGHTED AVERAGE SHARES OUTSTANDING BASIC AND DILUTED	27,000,000	25,000,000	27,000,000	25,000,000
NET (LOSS) INCOME PER COMMON SHARE, BASIC AND DILUTED	$ (0.00)	$ 0.02	$ (0.01)	$ 0.02

See accompanying notes to condensed consolidated financial statements.

AIDA PHARMACEUTICALS, INC.

(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the Six Months Ended June 30,			
		2007		2006
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net (loss) income	$	(177,652)	$	411,942
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Depreciation and amortization		918,458		810,053
Provision for doubtful accounts		12,023		-
Amortization of discount on notes receivable		(42,544)		-
Loss of disposal of fixed assets		-		231
Amortization of deferred compensation		-		45,833
Deferred taxes		(132,961)		102,527
Gain on sale of marketable securities		(119,539)		-
Gain on disposal of discontinued operation		-		(12,490)
Minority interests share of net income		307,005		142,140
Changes in operating assets and liabilities:				
(Increase) Decrease In:				
Accounts receivable		3,708,056		(362,495)
Inventories		(1,143,308)		(629,974)
Other receivables, prepaid expenses, and other assets		(31,484)		(53)
Prepayments for goods		(112,832)		(63,740)
Increase (Decrease) In:				
Accounts payable		(1,247,197)		1,502,800
Other payables and accrued liabilities		(482,095)		(295,554)

Advance for research and development		(83,939)		-
Due to employees		234,732		(280,824)
Taxes payable		(268,145)		78,409
Customer deposits		714,545		(208,306)
Net cash provided by operating activities		2,053,123		1,240,499
CASH FLOWS FROM INVESTING ACTIVITIES:				
Restricted cash		355,262		(87,709)
Purchases of plant and equipment		(392,978)		(164,021)
Purchases of construction in progress		(85,431)		(13,950)
Cash received from sale of plant and equipment		-		819
Purchase of land use right		-		(394,169)
Deposit for land use right		-		(986,915)
Deposit for long term investment		(539,970)		(499,749)
Deposit for plant and equipment		(1,086,669)		(7,880)
Deposit for patent		-		(125,069)
Repayment of notes receivable		1,217,964		393,479
Issuance of notes receivable		(2,261,857)		-
Due from related parties		-		(1,075,350)
Due from employees		(849,841)		(123,638)
Proceeds from sale of marketable securities		375,663		137,559
Proceeds from disposal of patent		99,796		-
Purchase of investment		-		(187,603)
Net cash used in investing activities		(3,168,061)		(3,134,196)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from short-term debt		20,754,624		4,341,076
Repayments of short-term debt		(16,266,580)		-
Proceeds from long-term debt		-		34,684
Advances from related parties		78,521		157,262
Repayment of advances to related parties		(122,649)		
Net cash provided by financing activities		4,443,916		4,533,022
INCREASE IN CASH AND CASH EQUIVALENTS		3,328,978		2,639,325
Effect of exchange rate changes on cash		170,595		(84,425)
Cash and cash equivalents at beginning of period		6,116,816		3,129,450
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	9,616,389	$	5,684,350

SUPPLEMENTARY CASH FLOW INFORMATION

Income taxes paid	$	444,952	$	79,533
Interest paid	$	627,748	$	671,098

See accompanying notes to condensed consolidated financial statements.

AIDA PHARMACEUTICALS, INC.

(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

SUPPLEMENTAL NON-CASH INVESTING DISCLOSURES:

1. During the six months ended June 30, 2007 and 2006, $44,822 and $274,229 was transferred from deposits to patents.

2. During the six months ended June 30, 2007 and 2006, $100,264 and $0 was transferred from deposits to plant and equipment.

See accompanying notes to condensed consolidated financial statements.

AIDA PHARMACEUTICALS, INC.

(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(UNAUDITED)

1.

ORGANIZATION AND PRINCIPAL ACTIVITIES

The primary operations of Aida Pharmaceuticals, Inc. and subsidiaries (the Company) are the development, production and distribution of cardiovascular and anti cancer drugs, in the form of powder for injection, liquid for intravenous injection, capsule, tablet, ointment, etc., within the PRC.

2.

BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the requirements for reporting on Form 10-QSB and Item 310(b) of Regulation S-B. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. However, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for the fair presentation of the consolidated financial position and the consolidated results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full year. The condensed consolidated balance sheet information as of December 31, 2006 was derived from the audited consolidated financial statements included in the Company s Annual Report Form 10-KSB. These interim financial statements should be read in conjunction with that report.

3.

PRINCIPLES OF CONSOLIDATION

The unaudited condensed consolidated financial statements include the accounts of Aida Pharmaceuticals, Inc. (Formerly BAS Consulting, Inc.) and the following subsidiaries:

(i)

Earjoy Group Limited (Earjoy) (100% subsidiary of Aida);

(ii)

Hangzhou Aida Pharmaceutical Co., Ltd. (HAPC) (100% Subsidiary of Earjoy);

(iii)

Hangzhou Boda Medical Research and Development Co., (Boda) (100% Subsidiary of HAPC);

(iv)

Hainan Aike Pharmaceutical Co., Ltd. (Hainan) (60.61%% subsidiary of HAPC) and Yang Pu Aike Pharmaceutical Co., Ltd. (Yangpu) (95% subsidiary of Hainan). HAPC exercise significant influence over Hainan by controlling over 50% of the voting rights;

(v)

Changzhou Fangyuan Pharmaceutical Co., Ltd. (Fangyuan) (66% subsidiary of HAPC).

(vi)

Shanghai Qiaer Bio-Technology Co., Ltd. (Qiaer) (77.5% subsidiary of HAPC)

All significant inter-company accounts and transactions have been eliminated in consolidation.

AIDA PHARMACEUTICALS, INC.

(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(UNAUDITED)

4.

CONCENTRATIONS

The Company has major customers who accounted for the following percentages of total sales and total accounts receivable in 2007 and 2006:

	Sales		Accounts Receivable	
Major Customers	**For the Six Months Ended June 30, 2007**	**For the Six Months Ended June 30, 2006**	**June 30, 2007**	**December 31, 2006**
Company A	-	15%	-	30%
Company B	-	8%	-	2%
Company C	-	6%	-	2%
Company D	-	5%	-	30%
Company E	25%	-	31%	-
Company F	5%	-	3%	-
Company G	2%	-	1%	-

The Company has major suppliers who accounted for the following percentages of total purchases and total accounts payable in 2007 and 2006:

	Purchases		
Major Suppliers	**For the Six Months**	**For the Six Months**	**Accounts Payable**

	Ended June 30, 2007	Ended June 30, 2006	June 30, 2007	December 31, 2006
Company H	11%	11%	6%	7%
Company I	9%	7%	5%	3%

The sole market of the Company is the PRC for the periods ended June 30, 2007 and 2006.

Of the total revenue for the six months ended June 30, 2007 and 2006, 69% and 47% was fully dependent on the patent for Etimicin Sulfate owned by the Company.

5.

USE OF ESTIMATES

The preparation of the condensed consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

Management makes these estimates using the best information available at the time the estimates are made. Actual results could differ materially from those estimates.

AIDA PHARMACEUTICALS, INC.

(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(UNAUDITED)

6.

FOREIGN CURRENCY TRANSLATION

The accompanying condensed consolidated financial statements are presented in United States dollars. The functional currency of the Company is the Renminbi (RMB). The condensed consolidated financial statements are translated into United States dollars from RMB at year-end exchange rates as to assets and liabilities and average exchange rates as to revenues and expenses. Capital accounts are translated at their historical exchange rates when the capital transactions occurred.

		June 30, 2007	December 31, 2006
Period end RMB:	US$ exchange rate	7.6155	7.8087
Average period RMB:	US$ exchange rate	7.7121	7.9395

7.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company s financial instruments include cash and cash equivalents, restricted cash, accounts receivable, notes receivable, due to/from related parties, other receivables and prepaid expenses, due to employees, prepayments for goods, accounts payable, other payable and accrued liabilities, accrued expenses, short-term debt, taxes payable and customer deposits. Management has estimated that the carrying amount approximates fair value due to their short-term nature.

8.

EARNINGS (LOSS) PER SHARE

Basic earning (loss) per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the periods. Diluted earning (loss) per share is computed similar to basic earning (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. There were no dilutive securities outstanding for the periods presented.

9.

ADOPTION OF NEW ACCOUNTING POLICY

Effective January 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"), an interpretation of FASB statement No. 109, Accounting for Income Taxes. The interpretation addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. FIN 48 also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. As of June 30, 2007, the Company does not have a liability for unrecognized tax benefits.

AIDA PHARMACEUTICALS, INC.

(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(UNAUDITED)

9.

ADOPTION OF NEW ACCOUNTING POLICY (CONTINUED)

The Company files income tax returns in the U.S. federal jurisdiction and various states. The Company is subject to U.S. federal or state income tax examinations by tax authorities for years after 2005. During the periods open to examination, the Company has net operating loss and tax credit carry forwards for U.S. federal and state tax purposes that have attributes from closed periods. Since these NOLs and tax credit carry forwards may be utilized in future periods, they remain subject to examination. The Company also files certain tax returns in China. As of June 30, 2007 the Company was not aware of any pending income tax examinations by China tax authorities. The Company's policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of June 30, 2007, the Company has no accrued interest or penalties related to uncertain tax positions.

10.

NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements," which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable. SFAS No. 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. SFAS No. 157 is effective for financial statements issued in fiscal years beginning after November 15, 2007 and to interim periods within those fiscal years. The Company is currently in the process of evaluating the effect, if any, the adoption of SFAS No. 157 will have on its consolidated results of operations, financial position, or cash flows.

In February 2007, the FASB issued FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities –– Including an amendment of FASB Statement No. 115 (“FAS 159”). FAS 159, which becomes effective for the Company on January 1, 2008. This standard permits companies to choose to measure many financial instruments and certain other items at fair value and report unrealized gains and losses in earnings. Such accounting is optional and is generally to be applied instrument by instrument. The Company does not anticipate that election, if any, of this fair value option will have a material effect on the results or operations or consolidated financial position.

AIDA PHARMACEUTICALS, INC.

(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(UNAUDITED)

11.

NOTES RECEIVABLE

Notes receivable consist of the following:

Notes receivable from unrelated companies:

	June 30, 2007 (Unaudited)	December 31, 2006
Due January 30, 2007 (subsequently settled)	$ -	$ 256,125
Due January 31, 2007 (subsequently settled)	-	502,366
Due January 31, 2007 (subsequently settled)	-	14,189
Due April 30, 2007 (subsequently settled)	-	-
Due August 31, 2007	7,879	12,806
Due September 15, 2007, interest at 5.58% per annum	1,868,677	-
Due September 20, 2007	12,093	487,242
Due October 31, 2007	590,705	576,280
Due November 11, 2007	393,803	384,187
Due November 30, 2007	131,269	128,062
Due December 1, 2007	23,890	23,299
Due December 1, 2007	7,280	7,100
Due December 2, 2007	393,803	64,032
Due December 14, 2007	337,505	329,263
Due December 15, 2007, interest at 6% per annum	65,656	-

Subtotal		3,832,560		2,784,951
Less: Discount		31,889		70,717
Total notes receivable, net	$	3,800,671	$	2,714,234

Notes receivable are unsecured.

In 2007, an interest-free note was provided to a company for its assistance in research and development activities. The Company recorded research and development expense and a discount on the notes receivable of $3,716 based on the present value of the notes receivable using a 6% discount rate.

For the six months ended June 30, 2007 and 2006, $42,544 and $0 of interest income was recognized in the accompanying condensed consolidated statements of income (loss) from the amortization of the discount.

12.

INVENTORIES

Inventories consist of the following:

		June 30, 2007 (Unaudited)		December 31, 2006
Raw materials	$	1,325,480	$	1,712,850
Work-in-progress		1,271,014		500,997
Finished goods		1,353,759		593,098
Total	$	3,950,253	$	2,806,945

AIDA PHARMACEUTICALS, INC.

(FORMERLY BAS CONSULTING, INC.) AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(UNAUDITED)

13.

PLANT AND EQUIPMENT

Plant and equipment consist of the following:

		June 30, 2007 (Unaudited)		December 31, 2006
At cost:				
Buildings	$	9,232,804	$	8,944,313
Machinery		9,763,941		9,206,036
Motor vehicles		761,531		742,689
Office equipment		801,535		668,428
Leasehold improvements		457,230		455,356
		21,017,041		20,016,822
Less: Accumulated depreciation				
Buildings		1,500,201		880,647
Machinery		4,064,903		3,504,714
Motor vehicles		511,047		445,523
Office equipment		472,491		412,530
Leasehold improvements		353,499		795,797
		6,902,141		6,039,211
Plant and equipment, net	$	14,114,900	$	13,977,611

The net book value of buildings and machinery pledged for certain bank loans at June 30, 2007 and December 31, 2006 is $4,940,024 and $4,892,624, respectively. Also see Note 17.

Depreciation expense for the six months ended June 30, 2007 and 2006 is $701,655 and $607,456, respectively.

14.

LAND USE RIGHTS

		June 30, 2007 (Unaudited)		December 31, 2006
Cost	$	4,039,958	$	3,945,385
Less: Accumulated amortization		236,848		198,160
Land use rights, net	$	3,803,110	$	3,747,225

Amortization expense for six months ended June 30, 2007 and 2006 is $38,688 and $20,627 respectively.

Amortization expense for the next five years and thereafter is as follows:

2007 within one year	$	39,179
2008		78,357
2009		78,357
2010		78,357
2011		78,357
Thereafter		3,450,503
Total	$	3,803,110

The net book value of the land use right pledged for certain bank loans at June 30, 2007 and December 31, 2006 is $1,196,758 and $1,572,139, respectively. Also see Note 17.

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15.

PATENTS

		June 30, 2007 (Unaudited)		December 31, 2006
Cost	$	6,515,476	$	6,446,568
Less: Accumulated amortization		900,683		722,568
Patents, net	$	5,614,793	$	5,724,000

Amortization expense for six months ended June 30, 2007 and 2006 is $178,115 and $68,812, respectively.

Amortization expense for the next five years and thereafter is as follows:

2007 within one year		168,607
2008		362,841
2009		302,548
2010		299,683
2011		297,311
Thereafter		4,183,803
Total	$	5,614,793

16.

DEPOSITS

Deposits consist of the following:

		June 30, 2007 (Unaudited)		December 31, 2006
Patent	$	581,501	$	703,702
Plant and equipment		1,086,669		97,783
Long-term investment		691,753		151,782
Total	$	2,359,923	$	953,267

During the six months ended June 30, 2007, the Company paid $1,086,669 as deposits to acquire certain equipment. Deposits of $100,264 were transferred to plant and equipment in the first half of 2007.

During the six months ended June 30, 2007, a deposit of $44,822 was transferred to patent.

During the six months ended June 30, 2007, the Company paid $65,656 as deposit to establish a new company, Beijing Beimei Union Real Estate Development Co., Ltd. The total consideration for the investment is $1,313,120.

During the six months ended June 30, 2007, the Company paid $474,315, as deposit to acquire 55% of the outstanding shares of Jiangsu Microbial Research Institute.

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17.

SHORT TERM DEBT

Short-term debt consists of the following:

Bank Loans:		June 30, 2007 (Unaudited)		December 31, 2006
Loans from Industrial and Commercial Bank of China Qingchun Branch, due August 20, 2007, monthly interest only payments at 6.732% per annum, secured by assets owned by the Company. Also see Note 13.	$	656,556	$	640,311
Loans from Industrial and Commercial Bank of China Qingchun Branch, due August 15, 2007, monthly interest only payments at 6.732% per annum, secured by assets owned by the Company. Also see Note 13.		820,695		800,389
Loans from Industrial and Commercial Bank of China Qingchun Branch, due July 26, 2007, monthly interest only payments at 6.435% per annum, secured by assets owned by the Company (subsequently repaid on its due date).		919,178		896,436
Loans from Industrial and Commercial Bank of China Qingchun Branch, due June 6, 2007, monthly interest only payments at 6.435% per annum,				

secured by assets owned by the Company (subsequently repaid on its due date).	-	1,280,623
Loans from Industrial and Commercial Bank of China Qingchun Branch, due June 27, 2007, monthly interest only payments at 6.435% per annum, secured by assets owned by the Company (subsequently repaid on its due date).	-	768,374
Loan from Bank of Communication Qingchun Branch, due June 5, 2007 monthly interest only payments at 6.435% per annum, guaranteed by Nanwang Information Industry Group Co., Ltd (subsequently repaid on its due date).	-	1,290,623
Loan from Bank of Communication Qingchun Branch, due June 19, 2007 monthly interest only payments at 6.435% per annum, guaranteed by Nanwang Information Industry Group Co., Ltd (subsequently repaid on its due date).	-	1,290,623
Loan from Hangzhou Commercial Bank Gaoxin Branch due February 27, 2007, monthly interest only payments at 5.3625% per annum, guaranteed by Xinchang Guobang Chemicals Co., Ltd (subsequently repaid on its due date).	-	1,290,623
Loan from Hangzhou Commercial Bank Gaoxin Branch due February 1, 2008, monthly interest only payments at 5.6100% per annum, guaranteed by Xinchang Guobang Chemicals Co., Ltd.	1,313,111	-
Loan from Bank of China Kaiyuan Branch due May 8, 2007, monthly interest only payments at 6.7275% per annum, guaranteed by Xinchang Guobang Chemicals Co., Ltd (subsequently repaid on its due date).	-	1,034,498
Loan from Bank of China Kaiyuan Branch due May 16, 2007, monthly interest only payments at 6.7275% per annum, guaranteed by Xinchang Guobang Chemicals Co., Ltd (subsequently repaid on its due date).	-	650,311

Loan from Bank of China Kaiyuan Branch due April 17, 2007, monthly interest only payments at 6.417% per annum, guaranteed by Xinchang Guobang Chemicals Co., Ltd (subsequently repaid on its due date).	-	2,187,059

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17.

SHORT TERM DEBT (CONTINUED)

	June 30, 2007 (Unaudited)	December 31, 2006
Loan from Huaxia Bank Wenhui Branch due April 3, 2007, monthly interest only payments at 6.417% per annum, guaranteed by Ningbo Tianheng Co., Ltd (subsequently repaid on its due date).	-	778,374
Loans from Industrial and Commercial Bank of China Qingtai Branch, due August 4, 2007, monthly interest only payments at 6.138% per annum, guaranteed by Hangzhou Jinou Group (subsequently repaid on its due date).	1,313,111	1,290,623
Loan from Bank of Communication Qingchun Branch, due March 29, 2008 monthly interest only payments at 6.7095% per annum, guaranteed by Nanwang Information Industry Group Co., Ltd.	3,282,779	-
Loan from Bank of Communication Qingchun Branch, due June 5, 2008 monthly interest only payments at 6.8985% per annum, guaranteed by Nanwang Information Industry Group Co., Ltd.		

	1,313,111	-
Loan from Bank of Communication Qingchun Branch, due June 18, 2008 monthly interest only payments at 6.8985% per annum, guaranteed by Nanwang Information Industry Group Co., Ltd.		
	1,313,111	-
Loan from Bank of China Kaiyuan Branch due April 27, 2008, monthly interest only payments at 7.3485% per annum, guaranteed by Xinchang Guobang Chemicals Co., Ltd.		
	1,313,111	-
Loan from Bank of China Kaiyuan Branch due May 16, 2008, monthly interest only payments at 7.3485% per annum, guaranteed by Xinchang Guobang Chemicals Co., Ltd.		
	656,556	-
Loan from Bank of China Kaiyuan Branch due May 9, 2008, monthly interest only payments at 7.3485% per annum, guaranteed by Xinchang Guobang Chemicals Co., Ltd.		
	1,969,667	-
Loan from Evergrowing Bank Hangzhou Branch due June 4, 2008, monthly interest only payments at 7.3485% per annum, guaranteed by Xinchang Guobang Chemicals Co., Ltd.		
	1,969,667	-
Loans from Industrial and Commercial Bank of China Qingchun Branch, due June 6, 2008, monthly interest only payments at 7.2270% per annum, secured by assets owned by the Company. Also see Note 13.		
	1,313,111	-
Loans from Industrial and Commercial Bank of China Qingchun Branch, due June 18, 2008, monthly interest only payments at 7.2270% per annum, secured by assets owned by the Company. Also see Note 13.		
	787,867	-
Loan from China Development Bank Haikou Branch, due December 21, 2007 and monthly interest only payments at 6.138% per annum, guaranteed by Haikou Assure Investment Ltd.		

	393,933	394,187

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17.

SHORT TERM DEBT (CONTINUED)

	June 30, 2007 (Unaudited)	December31, 2006
Loans from Changzhou Commercial Bank, due June 20, 2007, monthly interest only payments at 8.37% per annum, secured by assets owned by the Company (subsequently repaid on its due date).	-	1,822,081
Loans from Changzhou Commercial Bank, due June 20, 2007, monthly interest only payments at 8.37% per annum, secured by assets owned by the Company (subsequently repaid on its due date).	-	1,143,351
Loans from Changzhou Commercial Bank, due May 18, 2007, monthly interest only payments at 8.37% per annum, guaranteed by Jiangyin Huilun Co. Ltd (subsequently repaid on its due date).	-	270,614
Loans from Changzhou Commercial Bank, due May 28, 2008, monthly interest only payments at 8.541% per annum, secured by assets owned by the Company. Also see Note 14.	1,858,053	-

Loans from Changzhou Commercial Bank, due May 28, 2008, monthly interest only payments at 8.541% per annum, secured by assets owned by the Company. Also see Note 14.				
		1,162,105		-
Total short-term bank loans	$	22,355,722	$	17,829,100
Notes payable:				
Due May 30, 2007 (subsequently repaid on its due date)	$	-	$	190,365
Due May 8, 2007 (subsequently repaid on its due date)		-		1,024,498
Due June 21, 2007 (subsequently repaid on its due date)		-		1,280,623
Due August 31, 2007		787,867		768,374
Due December 30, 2007, interest at 9.00% per annum		656,556		640,311
Due January 15, 2007 (subsequently repaid on its due date)		-		133,185
Due April 5, 2007, interest at 5.58% per annum (subsequently repaid on its due date)		-		320,156
Due April 20, 2007, interest at 5.58% per annum (subsequently repaid on its due date)		-		320,156
Due November 30, 2007, interest at 5.85% per annum		525,244		512,249
Due December 31, 2007, guaranteed by Donghong Taisheng Co., Ltd		262,622		256,125
Due August 28, 2007, interest at 6.40% per annum, guaranteed by Ge Xiaohu		-		640,310
Due May 1, 2008, interest at 6% per annum		874,401		-
Due December 12, 2007,interest at 6.9084% per annum		656,556		-
Due December 12, 2007		1,313,111		-
Due December 19, 2007		194,209		-
Due December 19, 2007		120,653		-
Due April 20, 2008, interest at 5.58% per annum		328,278		-
Due November 30, 2008, interest at 5.85% per annum		328,278		-
Total notes payable		6,047,775		6,086,352
Total short-term debt	$	28,403,497	$	23,915,452

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17.

SHORT TERM DEBT (CONTINUED)

All the notes payable are subject to bank charges of 0.05% of the principal as a commission on each loan transaction. Bank charges for notes payable were $5,235 and $420 for six months ended June 30, 2007 and 2006, respectively.

Restricted cash of $1,627,975 is held as collateral for the following notes payable at June, 30, 2007:

Due December 19, 2007	$	194,209
Due December 12, 2007		1,313,111
Due December 19, 2007		120,655
Total	$	1,627,975

18.

INCOME TAXES

(a) Corporation Income Tax (CIT)

In accordance with the relevant tax laws and regulations of PRC, the corporation income tax (CIT) rate is 33%. In 2006, HAPC applied to the local tax authority for a favorable corporate income tax rate of 26.4% for companies registered in coastal economic zone of PRC, which was approved in October 2006. As a result, the corporate income tax rate applicable to HAPC was changed to 26.4% from 33%. Hainan and Yangpu are subsidiaries registered in Hainan, PRC, and their corporate income tax rate of 15% is the tax rate for companies registered in Hainan, PRC in accordance with the relevant tax laws in PRC. Fangyuan is a subsidiary of HAPC and its applicable corporate income tax rate is 15%, since the company was recognized as high-tech companies by the PRC government. However, in accordance with the relevant taxation laws in the PRC, from the time that a company has its first profitable tax year, a foreign investment company is exempt from corporate income tax for its first two years and is then entitled to a 50% tax reduction for the succeeding three years. For Hangzhou and Hainan, the first profitable year for income tax purposes as a foreign investment company was 2004.

Income tax benefit (expense) for the six months ended June 30, 2007 and 2006 are summarized as follows:

	For the Six Months Ended June 30, (Unaudited)			
		2007		**2006**
Current:				
Provision for State Corporation Income Tax	$	157,079	$	113,256
Provision for Local Corporation Income Tax		15,708		11,326
		172,787		124,582
Deferred:				
Provision for State Corporation Income Tax		(120,873)		93,207
Provision for Local Corporation Income Tax		(12,088)		9,321
		(132,961)		102,528
Income tax	$	39,826	$	227,110

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18.

INCOME TAXES (CONTINUED)

The Company s income tax benefit (expense) differs from the expected tax benefit (expense) for the six months ended June 30, 2007 and 2006 (computed by applying the CIT rate of 33 percent to (loss) income before income taxes) as follows:

	For the Six Months Ended June 30, (Unaudited) 2007		2006	
Computed expected expense	$	55,829	$	257,794
Valuation allowance		14,188		178,020
Time difference		132,961		(102,528)
Tax exemptions		(163,152)		(106,176)
Income tax benefit (expense)	$	39,826	$	227,110

The tax effects of temporary differences that give rise to the Company s net deferred tax assets and liabilities as of June 30, 2007 and December 31, 2006 are as follows:

	June 30, 2007	December 31,

		(Unaudited)		2006
Deferred tax assets:				
Current portion:				
Consulting and audit expenses	$	105,564	$	105,564
Selling and distribution expenses		161,292		102,404
Bad debt provision		49,178		41,949
Other		81,408		45,797
Subtotal		397,442		295,714
Non-current portion:				
Depreciation		80,912		65,416
Impairment and amortization		47,077		41,502
Bad debt provision		24,303		24,299
Pre-operating expenses		12,546		12,546
Research and development costs		281,453		281,453
Other		33,374		42,307
Less: Valuation allowance		(25,489)		(11,301)
Subtotal		454,176		456,222
Total deferred tax assets		851,618		751,936
Deferred tax liabilities:				
Current portion:				
Sales cut-off	$	34,726	$	134,954
Unrealized gains from marketable securities		30,710		30,710
Other		19,709		7,180
Subtotal		85,145		172,844

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18.

INCOME TAXES (CONTINUED)

	June 30, 2007 (Unaudited)	December 31, 2006
Non-current portion:		
Subsidy income	192,105	192,105
Depreciation	31,262	28,963
Research and development costs	35,197	35,315
Government grant	58,841	58,841
Other	37,830	35,274
Intangible assets of acquisition	616,715	567,032
Subtotal	971,950	917,530
Total deferred tax liabilities	1,057,095	1,090,374
Net deferred tax liabilities	$ (205,477)	$ (338,438)

(b) Value Added Tax (VAT)

Enterprises or individuals who sell commodities, engage in repair and maintenance or import or export goods in the PRC are subject to a value added tax in accordance with Chinese Laws. The value added tax standard rate is 17% of the gross sale price. A credit is available whereby VAT paid on the purchases of semi-finished products or raw materials used in the production of the Company s finished products can be used to offset the VAT due on the sales of the finished products.

The VAT payable of $136,749 and $301,103 at and June 30, 2007 and December 31, 2006, respectively, are included in other payables and accrued expenses in the accompanying condensed consolidated balance sheets.

19.

MARKETABLE SECURITIES

The Company purchased an investment fund at a cost of $256,125 on September 6, 2006. The fair market value of the fund as of December 31, 2006 was $362,758. The difference between the market value and the cost of $106,633 was recognized as other comprehensive income at December 31, 2006, and was included as a separate component of shareholders equity for year then ended. The securities were classified as available-for-sale.

On January 28, 2007, the Company sold the marketable securities for $375,663 resulting in a gain of $119,538 which was included in the condensed consolidated statement of income (loss) and comprehensive income for the six months ended June 30, 2007.

20.

COMMITMENTS AND CONTINGENCIES

(a) Lease Commitments

The Company occupies plant and office space leased from third parties. Accordingly, for the six months ended June 30, 2007 and 2006, the Company recognized rental expense for these spaces of $251,681 and $126,801, respectively.

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20.

COMMITMENTS AND CONTINGENCIES

(CONTINUED)

As of June 30, 2007, the Company has outstanding commitments with respect to non-cancelable operating leases for real estate, which fall due as follows:

Period Ending June 30,		Amount
2007	$	115,029
2008		151,360
2009		142,694
2010		142,694
2011		126,936
Thereafter		66,387
Total	$	745,100

(b) Contingencies

In 2006, the Company brought a legal action against Jiangxi Pharmaceutical Co., Ltd. and Hainan Licheng Pharmaceuticals Co., Ltd. for their infringement upon the patent of Etimicin transfusion. As the plaintiff, the Company has claimed compensation of approximately $38,590 for the infringement. According to the judge s report from the local court in Haikou, PRC, on December 30, 2006, the Company won the lawsuit and Jiangxi Pharmaceutical Co., Ltd. and Hainan Licheng Pharmaceuticals Co., Ltd. will be required to pay $38,590 as compensation to the Company. However, Jiangxi Pharmaceutical Co., Ltd. and Hainan Licheng Pharmaceuticals Co., Ltd. appealed the ruling to a higher level court and the Company has not received the payment. Considering the uncertainties of the legal proceeding, the Company did not record a contingent gain for this at June 30, 2007.

In December of 2005, the Company sued Hainan Haomai Pharmaceutical Co., Ltd. and Fuzhou Likang Pharmaceuticals Co., Ltd. for their infringement upon the patent of Etimicin transfusion. As the plaintiff, the Company has claimed compensation of approximately $38,590 for the infringement. According to the judge s report from the local court in Haikou, PRC, on January 18, 2007, the Company won the lawsuit and Hainan Haomai Pharmaceutical Co., Ltd. and Fuzhou Likang Pharmaceuticals Co., Ltd. will pay $38,590 as compensation for the infringement. However, Hainan Haomai Pharmaceutical Co., Ltd. and Fuzhou Likang Pharmaceuticals Co., Ltd. appealed the ruling to a higher level court and the Company has not received the payment. Considering the uncertainties of the legal proceeding, the Company did not record a contingent gain for this at June 30, 2007.

In January 2007, the Company was sued by Jiangying Xinqiao Construction Co., Ltd for an overdue construction payment of $243,318. The local judge held a court hearing in April, 2007 which was still in progress. The Company believes the claim is without merit and plans to vigorously contend the claim. As such, there is no contingent accrual at June 30, 2007.

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21.

SUBSEQUENT EVENTS

On July 28, 2007, the board of directors of the Company resolved to sell the land use right of the piece of land (the Land), No. 31, Dingjiang Road, Hangzhou, Zhejiang, PRC, and the plant on the land. The Land is now the operational location of HAPC and occupies an area of approximately 17,330 square meters. The Company expects to enter into an agreement in the third quarter of 2007, and the consideration of the sale will be based on fair market value.

Item 2. Management s Discussion and Analysis or Plan of Operation.

FORWARD-LOOKING STATEMENTS

We have included forward-looking statements in this report. For this purpose, any statements contained in this report that are not statements of historical fact may be deemed to be forward looking statements. Without limiting the foregoing, words such as "may", "will", "expect", "believe", "anticipate", "estimate", "plan" or "continue" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors. Factors that might cause forward-looking statements to differ materially from actual results include, among other things, overall economic and business conditions, demand for the Company's products, competitive factors in the industries in which we compete or intend to compete, natural gas availability and cost and timing, impact and other uncertainties of our future acquisition plans.

GENERAL

Aida Pharmaceuticals Inc. (formerly known as BAS Consulting, Inc.) (the Company) was incorporated in the State of Nevada on December 18, 2002 (inception). The Company attempted to operate as a consulting firm and was not successful. The Company then began to seek an acquisition candidate and on December 8, 2005, we completed and closed the Share Exchange Agreement (the Agreement) dated as of June 1, 2005 by and among BAS Consulting, Inc., Earjoy Group Limited, a British Virgin Islands international business company (Earjoy), and the shareholders of Earjoy (the Earjoy Shareholders). A copy of the Agreement was previously filed as an Exhibit to our Current Report on Form 8-K dated June 1, 2005 as filed with the Securities and Exchange Commission (the SEC) on June 15, 2005.

On March 6, 2006, the Company amended its Articles of Incorporation to change the name of the Company to Aida Pharmaceuticals, Inc. As a result of the acquisition, we now operate the business of AIDA Pharmaceuticals, Inc.

On July 5, 2006, the Company registered 2,500,000 shares of its common stock, $.001 par value on Form S-8 with the Securities and Exchange Commission. Pursuant to the registration statement, the Company issued 2,000,000 shares to employees and consultants.

The Chinese pharmaceutical industry suffers from a relatively rigorous industrial environment since last year mainly due to the frequent strict regulation policies and personnel change from State Food and Drug Administration of the

People s Republic of China (SFDA). This negatively affected the sales of the Company in a short term. The new medicine tender system for hospitals in some regions such as some east-south areas of China, in the beginning of 2007 requires the hospitals to purchase medicines and drugs only from the manufacturer of Pharmaceutical rather than distributors, which resulted in sales returns from some distributors.

OUR BUSINESS

AIDA Pharmaceuticals, Inc. has the following subsidiaries:

a)

Earjoy Group Limited, (Earjoy)

b)

Hangzhou Aida Pharmaceutical Co., Ltd (Hangzhou Aida);

c)

Hangzhou Boda Medical Research and Development Co., Ltd. (Boda);

d)

Hainan Aike Pharmaceutical Co., Ltd. (Aike) and;

e)

Changzhou Fangyuan Pharmaceutical Co., Ltd. (Fangyuan)

f)

Shanghai Qiaer Bio-technology Co., Ltd (Qiaer)

Earjoy is an investment holding company.

Hangzhou Aida has been in operation since March 1999 and was established as a limited liability company under the laws of the People s Republic of China (PRC) on March 26, 1999. On December 23, 2004, Earjoy entered into a Share Purchase Agreement with Best Nation Investment Co., Ltd. for the acquisition by Earjoy of 100% of all interests in Hangzhou Aida.

Hangzhou Aida is a fully integrated pharmaceutical company engaged in the development, manufacture, marketing, licensing, and distribution of pharmaceutical products primarily in Mainland China. Aida (including its subsidiaries) has a total of nine production lines for the manufacturing of antibiotics, cardiovascular and anti-tumor drugs in various forms, including injectable powder, injectable liquid, capsules, tablets and ointments. All of them have been certified according to the Good Manufacturing Practices ("GMP") guidelines issued by the State Food and Drug Administration of the People's Republic of China ("SFDA"). Hangzhou Aida sells its Category-A antibiotic Etimicin under the trademark "Aida" and "PanNuo" etc. All these products are prescription drugs that are sold mainly to the hospitals in Mainland China.

Hangzhou Aida s strategy is to control all facets of its research and development efforts, including formulation development, clinical studies, regulatory submissions and manufacturing. In addition, the company markets its own branded products directly to health care professionals through its Mainland China sales operations. A key element of Hangzhou Aida s business is the development, manufacture and sale of branded pharmaceutical products that incorporate Hangzhou Aida s expertise in research and development and exclusive relationships with raw material suppliers, which provide significant therapeutic advantages over existing competing formulations.

Hangzhou Aida will also work to develop synergistic marketing partnerships in China and around the world in areas such as technology licensing, clinical research, product development, in-licensing and out-licensing of products, co-development and co-marketing agreements.

The headquarters of Hangzhou Aida is located in Hangzhou and Hangzhou Aida specializes in the production of Etimicin powder.

Boda is a wholly owned subsidiary of Hangzhou Aida and engages itself in the research and development of new drugs.

Aike was once a 50% owned subsidiary of Hangzhou Aida. In August 2006, Hangzhou Aida increased its position through an additional direct investment of $568,994 into Hainan Aike and making a $63,222 purchase of the interests held by a third-party institutional shareholder Merlin Green Canada Inc. Thereafter, Hainan Aike became a 60.61% owned subsidiary of the Company. Hangzhou Aida exercises significant influence over Aike by controlling over 60.61% of the voting rights and Aike owns 95% of Yangpu Aike Pharmaceutical Co., Ltd. (Yangpu). Aike specializes in the production of transfusion type of Etimicin AiYi .

Fangyuan is a 66% owned subsidiary of Hangzhou Aida. Fangyuan is sole supplier of the raw material of Etimicin and is also a major producer of the liquid type of Etimicin ChuangCheng .

The Company is capable of producing all types of Etimicin namely, powder, liquid and transfusion and thus has achieved a significant influence in the industry. This is a significant and unique advantage of the Company.

On August 8, 2006, the Company completed and closed the Share Purchase Agreements with Zhejiang Pharmaceutical Co., Ltd., Shanghai Handsome Biotech Co., Ltd and Zhongtuo Times Investment Co., Ltd. respectively. With these agreements, the Company acquired 77.5% of the outstanding shares of Shanghai Qiaer Bio-Technology Co., Ltd collectively.

Qiaer Bio-Tech was founded in 2001 and is located in the Zhangjiang Hi-tech development zone in Shanghai, China. The key product of Qiaer Bio-Tech is rh-Apo21, a pioneering potential biopharmaceutical therapy with genetic engineering techniques used for cancers. Qiaer Bio-Tech has applied for three patents from the Chinese government authority, one of which has been granted with the other two in process. The Phase I clinical trial of rh-Apo2l has been successfully completed and the Phase II clinical trial has been initiated.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We believe the following is among the most critical accounting policies that impact our consolidated financial statements. We suggest that our significant accounting policies, as described in our consolidated financial statements in the Summary of Significant Accounting Policies, be read in conjunction with this Management's Discussion and Analysis of Financial Condition and Results of Operations.

We recognize revenue in accordance with Staff Accounting Bulletin ("SAB") No. 104. All of the following criteria must exist in order for us to recognize revenue:

1. Persuasive evidence of an arrangement exists;

2. Delivery has occurred or services have been rendered;

3. The seller's price to the buyer is fixed or determinable; and

4. Collectibility is reasonably assured.

For fixed-priced refundable contracts, the Company recognizes revenue on a completion basis. Progress payments received/receivables are recognized as revenue only if the specified criteria is achieved, accepted by the customer, confirmed not refundable and continued performance of future research and development services related to the criteria are not required.

We have identified one policy area as critical to the understanding of our consolidated financial statements. The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of sales and expenses during the reporting periods. With respect to net realizable value of the Company's accounts receivable, Long-lived assets and inventories, significant estimation judgments are made and actual results could differ materially from these estimates.

For the three and six months ended June 30, 2007, management of the Company provided a reserve on its accounts receivable to reflect management s expectation on the collectibility of aged accounts receivable. Management s estimation of the reserve on accounts receivable at June 30, 2007 was based on the current facts that there are aged accounts receivable. Management has assessed the customers ability to continue to pay the outstanding invoices timely, and whether their financial position will deteriorate significantly in the future which would result in their inability to pay their debts to the Company.

For the three and six months ended June 30, 2007, the Company had made no impairments for Long-lived assets. Long-lived assets of the Company are reviewed annually as to whether their carrying value has become impaired, pursuant to the guidelines established in SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". The Company also periodically evaluates the amortization periods of its depreciable assets to determine whether subsequent events and circumstances warrant revised estimates of the useful lives.

Management's estimation whether a provision is needed is based on management s analysis of the current facts of whether potential impairments on the current carrying value of the inventories due to potential obsolescence exist as a result of aged inventories. In making their judgments, management made their estimations of the potential impairments based on the demand for their products in the future and the trends of turnover of the inventories.

While the Company's management currently believes that there is little likelihood that the actual results of their current estimates will differ materially from such current estimates, if the financial position of its customers deteriorates, if there is a significant reduction in the carrying value of its Long-lived assets, or if, customer demand for its products decreases significantly in the near future, the Company could realize significant write downs for uncollectible accounts receivable, impairment of Long-lived assets or slow moving inventories.

Effective January 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"), an interpretation of FASB statement No. 109, Accounting for Income Taxes. The interpretation addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. FIN 48 also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. As of June 30, 2007, the Company does not have a liability for unrecognized tax benefits.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable. SFAS No. 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. SFAS No. 157 is effective for financial statements issued in fiscal years beginning after November 15, 2007 and to interim periods within those fiscal years. The Company is currently in the process of evaluating the effect, if any, the adoption of SFAS No. 157 will have on its consolidated results of operations, financial position, or cash flows.

In February 2007, the FASB issued FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities –– Including an amendment of FASB Statement No. 115 (FAS 159). FAS 159, which becomes effective for the Company on January 1, 2008. This standard permits companies to choose to measure many financial instruments and certain other items at fair value and report unrealized gains and losses in earnings. Such accounting is optional and is generally to be applied instrument by instrument. The Company does not anticipate that election, if any, of this fair-value option will have a material effect on the results or operations or consolidated financial position

RESULTS OF OPERATIONS THREE MONTHS ENDED JUNE 30, 2007 AS COMPARED TO THREE MONTHS ENDED JUNE 30, 2006

The following table sets forth selected statements of income data as a percentage of revenues for the three months indicated.

	Three Months Ended June 30,	
	2007	2006

Revenues, net	100.00%	100.00%
Cost of goods sold	56.16%	(49.14)%
Gross margin	43.84%	50.86%
Selling and distribution	(17.77)%	(25.58)%
General and administrative	(12.85)%	(12.90)%
Research and development	(0.58)%	(0.00)%
Other expense	(7.20)%	(4.08)%
Income taxes	(1.68)%	(1.79)%
Minority interests	(4.01)%	(1.03)%
Net (loss) income	(0.25)%	5.48%

Revenues, Cost of Goods Sold and Gross Profit

Revenues for the three months ended June 30, 2007 were $6,419,476 a decrease of $865,412 from $7,284,888 for the three months ended June 30, 2006. Compared to the second quarter of 2006, the decrease in sales revenues from our group of companies engaging in the production of different types of Etimicin for the second quarter of 2007 and 2006 were as follows:

	Three Months Ended June 30,		
Companies	2007	2006	Increase/ (Decrease)
Hangzhou Aida Pharmaceutical Co., Ltd (Hangzhou Aida) specializes in the production of Etimicin powder	$ 1,605,806	$ 2,735,648	$ (1,129,842)
Hainan Aike pharmaceutical Co., Ltd (Aike) specializes in the production of Etimicin transfusion	2,977,104	3,692,482	(715,378)
Changzhou Fangyuan Pharmaceutical Co., Ltd. (Fangyuan) specializes in the production of Etimicin injection	1,836,566	856,758	979,808
TOTAL	$ 6,419,476	$ 7,284,888	$ (865,412)

For the three months ended June 30, 2007, the sales of Hangzhou Aida decreased by $1,129,842 or 41.30% as compared to the same period of 2006, but increased by $383,774 or 31.40% as compared to the first quarter this year. Chinese pharmaceutical industry suffers from a relatively rigorous industrial environment since last year mainly due to the frequent strict regulation policies and personnel change from SFDA. This negatively affected the sales of the company in a short term. For example, the medicine tender system for hospitals in some regions in the second quarter of 2007 differed from that in 2006 which resulted in some sales decline and sales return in those regions. The company believes after renewal of sales agent and rapid adaptation to the new system, we can overcome the short period disadvantage. And in a view of long run, the company will benefit a lot from the restructuring of the industry and government regulation as a well-disciplined and innovative company. Meanwhile, some other Etimicin manufacturers who infringed the patent of Etimicin also created disorder of the market, thus bringing negative impact against the business performance of the company. But with the successful ongoing of the legal action, we believe that we can kick out those manufacturers shortly. We see the recovery of our sales in the second quarter compared with that in the first quarter of this year. We believe that our operation and growth will continue to recover in the coming quarters. We also expect that the commercialization of our new drugs will improve the heavy reliance on Etimicin and lessen the fluctuation of our performance.

For the three months ended June 30, 2007, the sales of Hainan Aike decreased by $715,378 or 19.37% as compared to the same period of 2006. The decrease in sales can mainly be accounted for the decrease in sales of the Etimicin transfusion product, Aiyi .

For the three months ended June 30, 2007, the sales of Fangyuan increased by $979,808 or 114.36% as compared to the same period of 2006. The increase in sales is mainly attributable to an increase in sales of Etimicin material product.

The cost of goods sold for the second quarter ended June 30, 2007 was $3,605,286 an increase of $25,586 from $3,579,700 for the same period of 2006. The increase in cost of goods sold can be analyzed as follows:

	Three Months Ended June 30,		
Companies	2007	2006	Increase/ (Decrease)
Hangzhou Aida Pharmaceutical Co. Ltd (Hangzhou Aida) specializes in the production of Etimicin powder	$ 509,676	$ 532,665	$ (22,989)
Hainan Aike pharmaceuticalCo. Ltd (Aike) specializesin the production of Etimicin transfusion	2,241,105	2,540,028	(298,923)
Changzhou Fangyuan Pharmaceutical Ltd. (Fangyuan) specializesin the production of Etimicininjection	854,505	507,007	347,498
TOTAL	$ 3,605,286	$ 3,579,700	$ 25,586

The cost of goods sold of Hangzhou Aida for the three months ended June 30, 2007 decreased by $22,989, or 4.32% compared to $532,665 for the same period in 2006. The decrease in the cost of goods sold can mainly be accounted for by a decrease in sales.

The cost of goods sold of Aike for the three months ended June 30, 2007 decreased by $298,923, or 11.77% compared to for the same period in 2006. The increase can mainly be explained by the decrease in sales.

The cost of goods sold of Fangyuan for the three months ended June 30, 2007 increased by $347,498, compared to $507,007 for the same period in 2006.The increase is mainly due to the increase in sales.

Compared to the three months ended June 30, 2006, the percentage gross profit margin for our Company decreased from 50.86% to 43.84% for the first quarter ended June 30, 2007.

Research and Developments

The cost of the research and development for the second quarter of 2007 was 36,914 representing the cost incurred for the clinical trials for Rh-Apo2l by Qiaer. No research and development cost was incurred for the second quarter of 2006.

Selling and Distribution

Selling and distribution expenses decreased from $1,863,507 for the three months ended June 30, 2006 to $1,140,702 for the same period this year, or a 38.79% decrease. Compared to the same period in 2006, our increase in the expenses was because of the following:

	Three Months Ended June 30,		
Breakdown of Expenses	2007	2006	Increase/ (Decrease)
Traveling expenses	$ 243,307	$ 721,413	$ (478,106)
Sale commissions	49,864	211,913	(162,049)
Office expenses	198,050	363,624	(165,574)
Payroll	138,564	101,527	37,037
Conference fees	33,025	55,931	(22,906)
Rent	191,274	35,115	156,159
Entertainment	117,073	21,370	95,703
Advertising expenses	250	156,288	(156,038)
Other expenses	169,295	196,326	(27,031)
TOTAL	$ 1,140,702	$ 1,863,507	$ (722,805)

For the three months ended June 30, 2007 traveling expenses and office expenses decreased by $478,106 and 165,574, respectively, compared with the same period last year. The decrease was mainly explained that the Company controlled the traveling and office expenses by effective administration.

The sales commissions for the three months ended June 30, 2007 decreased by $162,049, compared to $211,913 for the same period last year. The decrease was due to the decrease in the sales with commissions for Fangyuan.

For the three months ended June 30, 2007, the rent expenses of $191,274 incurred for the Beijing office , the biggest sales office for Aike, increased by $156,159, compared to $35,115 for the same period last year.

For the three months ended June 30, 2007 advertising expenses decreased by $156,038, compared with the same period last year. The decrease was mainly explained that the Company carried out several great advertisements for sales promotion in the second quarter last year and no such great advertisements for the same period this year.

General and Administrative

General and administrative expenses decreased from $939,536 for the three months ended June 301, 2006 to $824,867 for the same period this year, representing a 12.20% decrease. The details of general and administrative expenses for the three months ended July 30, 2007 and 2006 were as follows:

	Three Months Ended June 30,		
			Increase/
Breakdown of Expenses	2007	2006	(Decrease)
Traveling expenses	$ 32,697	$ 88,409	$ (55,712)
Office expenses	27,304	51,337	(24,033)
Payroll	173,697	164,277	9,420
Conference fees	12,903	8,908	3,995
Labor union & education & staff welfare	115,269	132,340	(17,071)
Consultancy fees	49,622	74,292	(24,670)
Entertainment	44,572	18,154	26,418
Depreciation	85,913	52,548	33,365
Amortization of intangible assets	165,903	143,348	22,555
Other expenses	116,987	205,923	(88,109)
TOTAL	$ 824,867	$ 939,536	$ (114,669)

The traveling expenses of $32,697 for the three months ended June 30, 2007 decreased by $55,712 from $88,409 for the same period last year. The decrease was mainly attributable to a decrease of $51,526 in the traveling expenses for Aida.

The consultancy fees which the company pays consultants for their consultation service decreased from $74,292 for the three months ended June 30, 2006 to $49,622 for the same period this year. The decrease was mainly attributable to a decrease of $34,082 in consultation service of Fangyuan in the second quarter this year.

Amortization of intangible assets of $165,903 for the three months ended June 30, 2007 increased by $22,555 from $143,348 for the same period last year. The increase was explained by that amortization of intangible assets of $60,148 for the second quarter this quarter occurred to Qiaer.

Other Income (Expenses)

Other income (expenses) decreased from $(297,483) for the three months ended June 30, 2006 to $(462,243) for the same period this year. The other income (expenses) for the three months Ended July 30, 2007 and 2006 were as follows:

	Three Months Ended June 30,		
			Increase/
Breakdown of Other Income(Expenses)	2007	2006	(Decrease)
Interest expense, net	$ (372,716)	$ (384,500)	$ 11,784
Government grants		43,124	(43,124)
Investment income		12,490	(12,490)
Other (loss) income, net	(89,527)	31,403	(120,930)
TOTAL	$ (462,243)	$ (297,483)	$ (164,760)

Interest expense for the three months ended June 30, 2007 decreased slightly by $11,784 from $384,500 for the same period last year.

Government grants of $43,124 for the three months ended June 30, 2006 represented subsidies from the government. No such income occurred for the same period this year.

Other income (expenses) has decreased from $31,403 for the three months ended June 30, 2006 to $(89,527) for the three months ended June 30, 2007. The decrease is mainly due to the fact that there was a reward from government in the second quarter last year.

Income Taxes

Income tax expense was $107,691 for the three months ended June 30, 2007, as compared to $130,270 for the same period last year.

In accordance with the relevant tax laws and regulations of PRC, the corporation income tax rate is 33%. As a Company registered in Hainan, PRC, Aike is entitled a beneficial corporate income tax rate of 15% in accordance with the relevant tax laws in the PRC. Fangyuan enjoys a beneficial tax rate of 15% as it is registered in a national high-tech development zone. According to the relevant laws and regulations of PRC, the preferential tax rate of 15% is applied to companies established in the national high-tech development zone.

In accordance with the relevant taxation laws in the PRC, from the time that a company has its first profitable tax year, a foreign investment company is exempt from corporate income tax for its first two years and is then entitled to a 50% tax reduction for the succeeding three years. And the foreign investment company income tax rate is 27% in Hangzhou, PRC. Since Hangzhou Aida Pharmaceutical Co., Ltd has been a foreign investment company since 2004, so we are entitled to a 50% tax reduction in 2007.

Net (Loss) Income

In the second quarter of 2007, our net income decreased by $415,203 to a net income (loss) of $(16,315) from $398,888 in the same period in 2006.

RESULTS OF OPERATIONS SIX MONTHS ENDED JUNE 30, 2007 AS COMPARED TO SIX MONTHS ENDED JUNE 30, 2006

The following table sets forth selected statements of income data as a percentage of revenues for the three months indicated.

	Six Months Ended June 30, 2007	2006
Revenues, net	100.00%	100.00%
Cost of goods sold	(56.15)%	(52.02)%
Gross margin	43.85%	47.98%
Selling and distribution	(18.17)%	(28.10)%
General and administrative	(17.11)%	(12.59)%
Research and development	(1.45)%	(0.00)%
Other income (expense)	(5.68)%	(1.09)%
Income taxes	(0.34)%	(1.80)%
Minority interests	(2.62)%	(1.13)%
Net (loss) income	(1.52)%	3.27%

Revenues, Cost of Goods Sold and Gross Profit

Revenues for the six months ended June 30, 2007 were $11,725,403 a decrease of $874,291 from $12,599,694 for the same time last year. Compared to the six months of 2006, the decrease in sales revenues from our group of companies engaging in the production of different types of Etimicin for the six months of 2007 and 2006 were as follows:

	Six Months Ended June 30,		
Companies	2007	2006	Increase/ (Decrease)
Hangzhou Aida Pharmaceutical Co., Ltd (Hangzhou Aida) specializes in the production of Etimicin powder	$ 2,832,671	$ 4,060,870	$ (1,228,199)
Hainan Aike pharmaceutical Co., Ltd (Aike) specializes in the production of Etimicin transfusion	6,018,586	6,747,519	(728,933)
Changzhou Fangyuan Pharmaceutical Co., Ltd. (Fangyuan) specializes in the production of Etimicin injection	2,874,146	1,791,305	1,082,841
TOTAL	$ 11,725,403	$ 12,599,694	$ (874,291)

For the six months ended June 30, 2007, the sales of Hangzhou Aida decreased by $1,228,199 or 30.24% as compared to the same period of 2006. Chinese pharmaceutical industry suffers from a relatively rigorous industrial environment since last year mainly due to the frequent strict regulation policies and personnel change from SFDA. This negatively affected the sales of the company in a short term. For example, the medicine tender system for hospitals in some regions in the first half of 2007 differs from that in 2006 which resulted in some sales decline and sales return in those regions. The company believes after renewal of sales agent and rapid adaptation to the new system, we can overcome the short period disadvantage. And in a view of long run, the company will benefit a lot from the restructuring of the industry and government regulation as a well-disciplined and innovative company. Meanwhile, some other Etimicin manufacturers who infringed the patent of Etimicin also created disorder of the market, thus bringing negative impact against the business performance of the company. But with the successful ongoing of the legal action, we believe that we can kick out those manufacturers shortly.We see the recovery of our sales in the second quarter compared with that in the first quarter of this year. We believe that our operation and growth will continue to recover in the coming quarters. We also expect that the commercialization of our new drugs will improve the heavy reliance on Etimicin and lessen the fluctuation of our performance.

For the six months ended June 30, 2007, the sales of Hainan Aike decreased by $728,933 or 10.80% as compared to the same period of 2006. The decrease in sales can mainly be accounted for the slight decrease in sales of the Etimicin transfusion product, Aiyi .

For the six months ended June 30, 2007, the sales of Fangyuan increased by $1,082,841 or 60.45% as compared to the same period of 2006. The increase in sales is the result of the intense marketing and promotion programs of a new Etimicin injection product, Chuangcheng . Another reason is the increase in sales of the Etimicin material product.

The cost of goods sold for the six months ended June 30, 2007 was $6,583,264 an increase of $28,330 from $6,554,934, for the year 2006. The increase in cost of goods sold can be analyzed as follows:

	Six Months Ended June 30,		
Companies	2007	2006	Increase/ (Decrease)
Hangzhou Aida Pharmaceutical Co. Ltd (Hangzhou Aida) specializes in the production of Etimicin powder	$ 870,639	$ 1,014,030	$ (143,391)
Hainan Aike pharmaceuticalCo. Ltd (Aike) specializesin the production of Etimicin transfusion	4,011,905	4,219,665	(207,760)
Changzhou Fangyuan Pharmaceutical Ltd. (Fangyuan) specializesin the production of Etimicininjection	1,700,720	1,321,238	379,482
TOTAL	$ 6,583,264	$ 6,554,934	$ 28,330

The cost of goods sold of Hangzhou Aida for the six months ended June 30, 2007 decreased by $143,391, or 14.14% compared to $1,014,030 for the same period in 2006. The decrease in the cost of goods sold can mainly be accounted for by a decrease in sales by 30.24%.

The cost of goods sold of Aike for the six months ended June 30, 2007 decreased by $207,760, or 4.92% compared to for the same period in 2006. The increase can mainly be explained by the decrease in sales.

The cost of goods sold of Fangyuan for the six months ended June 30, 2007 increased by $379,482, compared to $1,321,238 for the same period in 2006.The increase is mainly due to the increase in sales.

Compared to the six months ended June 30, 2006, the percentage gross profit margin for our Company decreased from 47.98% to 43.85% for the first quarter ended March 31, 2007.

Research and Developments

Research and development cost was $169,951 for the six months ended June 30, 2007 represented cost incurred for the clinical trials for Rh-Apo2l by Qiaer. No such cost was incurred for the first half of 2006.

Selling and Distribution

Selling and distribution expenses decreased from $3,540,243 for the six months ended June 30, 2006 to $2,130,897 for the same period this year, or a 39.81% decrease. Compared to the same period in 2006, our decrease in the expenses was because of the following:

	Six Months Ended June 30,		
			Increase/
Breakdown of Expenses	2007	2006	(Decrease)
Traveling expenses	$ 656,279	1,216,702	$ (560,423)
Sale commissions	76,560	428,877	(352,317)
Office expenses	432,728	586,883	(154,155)
Payroll	206,358	195,740	10,618
Conference fees	71,546	125,025	(53,479)
Rent	199,427	92,590	106,837
Entertainment	196,924	74,457	122,467
Advertising expenses	3,383	402,334	(398,951)
Other expenses	287,692	417,635	(129,943)
TOTAL	$ 2,130,897	$ 3,540,243	$ (1,409,346)

For the six months ended June 30, 2007 sale commissions of $76,560 decreased by $352,317, compared with the same period last year. The decrease was due to the decrease in the sales with commissions for Fangyuan.

For the first half of 2007 traveling expenses, office expenses and advertising expenses decreased by $560,423, $154,155 and $398,951 respectively, compared with the same period last year. The decrease was mainly explained that the Company controlled the selling expenses by effective administration.

For the six months ended June 30, 2007, the rent expenses of $191,274 incurred for the Beijing office , the biggest sales office for Aike, increased by $156,159, compared to $35,115 for the same period last year.

General and Administrative

General and administrative expenses increased from $1,586,281 for the six months ended June 30, 2006 to $2,005,960 for the same period this year, representing a 26.46% increase. The details of general and administrative expenses for the six months ended July 30, 2007 and 2006 were as follows:

	Six Months Ended June 30,		
Breakdown of Expenses	2007	2006	Increase/ (Decrease)
Traveling expenses	$ 72,817	138,894	$ (66,077)
Office expenses	81,706	86,795	(5,089)
Payroll	381,314	281,700	99,614
Conference fees	19,060	9,794	9,266
Labor union & education & staff welfare	439,965	247,127	192,838
Consultancy fees	102,920	106,452	(3,532)
Entertainment	118,337	50,892	67,445
Depreciation	172,920	147,701	25,219
Amortization of intangible assets	318,297	227,825	90,472
Other expenses	298,624	289,101	9,523
TOTAL	$ 2,005,960	$ 1,586,281	$ 419,679

The traveling expenses of $72,817 for the six months ended June 30, 2007 decreased by $66,077 from $138,894 for the same period last year. The decrease was mainly attributable to a decrease of $53,920 in the traveling expenses for Aida.

The labor union expenses & education expenses & staff welfare of $439,965 for the six months ended June 30, 2007 increased by $192,838 from $247,127 for the same period last year. The increase was explained by the increase in the payroll per staff. And the payroll expenses of $381,314 for the first half of 2007 increased by $99,614 from $281,700 for the same period last year.

Amortization of intangible assets of $318,297 for the six months ended June 30, 2007 increased by $90,472 from $227,825 for the same period last year. The increase was explained by that amortization of intangible assets of $119,714 for the second quarter this quarter occurred to Qiaer.

Other Income (Expenses)

Other income (expenses) decreased from $(666,153) for the six months ended June 30, 2006 to $(137,043) for the same period this year. The other income (expenses) for the six months Ended June 30, 2007 and 2006 were as follows:

	Six Months Ended June 30,		Increase/
Breakdown of other income/(expenses)	2007	2006	(Decrease)
Interest expense, net	$ (716,503)	$ (653,191)	$ (63,312)
Government grants	50,106	503,587	(453,481)
Investment income	-	12,490	(12,490)
Gain on sale of marketable securities	119,538	-	119,538
Other (loss) income, net	(119,294)	71	(119,365)
TOTAL	$ (666,153)	$ (137,043)	$ (529,110)

Interest expense for the six months ended June 30, 2007 increased by $63,312 from $653,191 for the same period last year. The increase is mainly due to an increase in the interest for the short-term borrowings.

Government grants for the six months ended June 30, 2007 decreased by $453,481from $503,587 for the same period last year. The decrease is due to the decrease in subsidies from the government.

Investment income of $12,490 for the first half of 2006 represented the sold income of 8.33% outstanding shares of Zhejiang Anglikang Pharmaceutical Co., Ltd at a price of $12,490 and no such income occurred for the first half of 2007.

Gain on sale of marketable securities for the six months ended June 30, 2007 represented income from Chinese securities investment and no such income was incurred for the same period last year.

Income Taxes

Income tax expense was $39,826 for the six months ended June 30, 2007, as compared to $227,110 for the same period last year.

In accordance with the relevant tax laws and regulations of PRC, the corporation income tax rate is 33%. As a Company registered in Hainan, PRC, Aike is entitled a beneficial corporate income tax rate of 15% in accordance with the relevant tax laws in the PRC. Fangyuan enjoys a beneficial tax rate of 15% as it is registered in a national high-tech development zone. According to the relevant laws and regulations of PRC, the preferential tax rate of 15% is applied to companies established in the national high-tech development zone.

In accordance with the relevant taxation laws in the PRC, from the time that a company has its first profitable tax year, a foreign investment company is exempt from corporate income tax for its first two years and is then entitled to a 50% tax reduction for the succeeding three years. And the foreign investment company income tax rate is 27% in Hangzhou, PRC. Since Hangzhou Aida Pharmaceutical Co., Ltd has been a foreign investment company since 2004, so we are entitled to a 50% tax reduction in 2007.

Net (loss) Income

In the first half of 2007, our net income decreased by $589,594 to a net income (loss) of $(177,652) from $411,942 in the same period in 2006.

LIQUIDITY AND CAPITAL RESOURCES

Cash

Our cash balance increased by $3,499,573 to $9,616,389 as of June 30, 2007, as compared to $6,116,816 as of December 31, 2006. The increase was mainly attributable to cash in flow of financing activities and depreciation and amortization of $4,443,916 and $918,458, respectively, a decrease in accounts receivable of $3,708,056. The increase in cash flow was partially offset by cash out flow of investment activities of $3,168,061, an increase in inventories of $1,143,308, and a decrease in accounts payable and other payables and accrued liabilities of $1,247,197 and $482,095, respectively. The net cash flow was $3,499,573 for the first half this year.

Our cash flow from operations amounted to $2,053,123 for the six months ended June 30, 2007, compared to $1,240,499 for the same period last year.

Our cash flow used in investing activities amounted to $(3,168,061) of which $(2,261,857) was issuance of notes receivable. The Company invested $1,086,669 in the deposit for long term investment and lent to employees $849,841.

The net cash used in financing activities amounted to $4,443,916 of which $20,754,624 was the proceeds from short-term debt.

At June 30, 2007, the Company had short-term debt of $28,403,497 of which $22,355,722 was short-term bank borrowings and the remaining $6,047,775 represented notes payable to unrelated parties. The interest for the short-term borrowings varied from 5.3625% to 8.541% per annum whereas the notes payable to unrelated parties is interest free. The Company believes that the cash generated from normal operation will be sufficient to pay off its liabilities as the short-term borrowings and commitments fall due.

Working Capital

Our working capital deficiency increased by $859,191 to $(6,608,122) at June 30, 2007, as compared to $(5,748,931) at December 31, 2006. The increase in working capital deficiency at July 30, 2007 was mainly attributable to our increase in short term debt of $4,488,045 and customer deposits of $714,545 and a decrease in accounts receivable of $3,708,056 offset by the decrease in accounts payable and other payables and accrued liabilities of $1,247,197 and $482,095 and an increase in cash of $3,499,573, notes receivable of $1,086,437 and inventories of $1,143,308.

The Company currently generates its cash flow through operations and the Company believes that its cash flow generated from operations will be sufficient to sustain operations for the next twelve months. Also, from time to time, the Company may require extra funding through financing activities and investments for expansion. Also, from time to time, the Company may come up with new expansion opportunities for which our management may consider seeking external funding and financing. However, as of June 30, 2007, the Company had no solid plan for additional capital through external funding and financing.

Item 3. Controls and Procedures.

(a)

Evaluation of Disclosure Controls and Procedures.

Within the 90 days prior to the date of this Quarterly Report for the period ended June 30, 2006, we carried out an evaluation, under the supervision and with the participation of our management, including the Company's Chairman and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-14 of the Securities Exchange Act of 1934 (the "Exchange Act"), which disclosure controls and procedures are designed to insure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods specified by the SEC's rules and forms. Based upon that evaluation, the Chairman and the Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in the Company's period SEC filings.

(b)

Changes in Internal Controls.

Subsequent to the date of such evaluation as described in subparagraph (a) above, there were no significant changes in our internal controls or other factors that could significantly affect these controls, including any corrective action with regard to significant deficiencies and material weaknesses.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

In 2006, the Company brought a legal action against Jiangxi Pharmaceutical Co., Ltd. and Hainan Licheng Pharmaceuticals Co., Ltd. for their infringement upon the patent of Etimicin transfusion. As the plaintiff, the Company has claimed compensation of approximately $38,590 for the infringement. According to the judge s report from the local court in Haikou, PRC, on December 30, 2006, the Company won the lawsuit and Hainan Haomai Pharmaceutical Co. Ltd. and Fuzhou Likang Pharmaceuticals Co., Ltd. will be required to pay $38,590 as compensation to the Company. However, Jiangxi Pharmaceutical Co., Ltd. and Hainan Licheng Pharmaceuticals Co., Ltd. appealed the ruling to a higher level court and the Company has not received the payment.

In December of 2005, the Company sued Hainan Haomai Pharmaceutical Co., Ltd. and Fuzhou Likang Pharmaceuticals Co., Ltd. for their infringement upon the patent of Etimicin transfusion. As the plaintiff, the Company has claimed compensation of approximately $38,590 for the infringement. According to the judge s report from the local court in Haikou, PRC, on January 18, 2007, the Company won the lawsuit and Hainan Haomai Pharmaceutical Co., Ltd. and Fuzhou Likang Pharmaceuticals Co., Ltd. will pay $38,590 as compensation for the infringement. However, Hainan Haomai Pharmaceutical Co., Ltd. and Fuzhou Likang Pharmaceuticals Co., Ltd. appealed the ruling to a higher level court and the Company has not received the payment.

In January 2007, the Company was sued by Jiangying Xinqiao Construction Co., Ltd for an overdue construction payment of $243,318. The Company believes the claim is without merit and plans to vigorously contend the claim. The local judge has been held a court in April, 2007. The Company believes the claim is without merit and plans to vigorously contend the claim. As such, there is no contingent accrual at June 30, 2007.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information

On July 28, the Board of Directors of Hangzhou Aida Pharmaceutical Co., Ltd.,100% Subsidiary of the company, held a meeting and unanimously approved the following actions: For the needs of rapidly growing business development, the BOD agrees to find a new ample place with larger size for the construction of new GMP certified manufacturing facility of Rh-Apo2l and capacity expansion of current products. The BOD requires that the action will ensure no negative effects over the ongoing business of Hangzhou Aida. For the funds needed for the construction of the new plants, the BOD decides to transfer the current land and housing where Hangzhou Aida is now located on the basis of fair market value to cash out for the new construction. The BOD authorized Mr.Jin Biao, Chairman and CEO of both Aida Pharmaceuticals Inc and Hangzhou Aida, for the execution of the above resolutions.

Item 6. Exhibits and Reports on Form 8-K.

No Reports on Form 8-K

Exhibits

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-B.

Exhibit No.	SEC Ref. No.	Title of Document	Location
1	31.1	Certification of the Principal Executive Officer	

		pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
2.	31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
3	32.1	Certification of the Principal Executive Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*	Attached
4	32.2	Certification of the Principal Financial Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*	Attached

* The Exhibit attached to this Form 10-QSB shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to liability under that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

SIGNATURES

In accordance with the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AIDA PHARMACEUTICALS, INC.

Date: August 14, 2007

<u>/s/ Biao Jin</u>

Mr. Biao Jin

Chief Executive Officer

Date: August 14, 2007

<u>/s/ Hui Lin</u>

Ms. Hui Lin

Chief Financial Officer