

Current Business

China Aoxing is a vertically integrated pharmaceutical company specializes in research, development, manufacturing and marketing of a variety of narcotics and pain management pharmaceutical products in generic and innovative formulations. China Aoxing's operating subsidiary, Hebei Aoxing is a corporation organized under the laws of the People's Republic of China. Since 2002 Hebei Aoxing has been engaged in developing its analgesic products, building its facilities, and obtaining the requisite licenses from the Chinese government.

In November 2006, Hebei Aoxing received GMP (Good Manufacturing Practices) certification for its Naloxone raw materials workshop from the China State Food and Drug Administration (SFDA). Hebei Aoxing started the production of the Naloxone raw materials in December 2006. In January, 2007 the SFDA granted Hebei Aoxing the final GMP certificate (H4107) for small volume injectables, which was a significant milestone in our history. In February 2007, Hebei Aoxing initiated the product launch of Naloxone Hydrochloride injectable in the Chinese market. Currently Hebei Aoxing is authorize by the SFDA to manufacture Naloxone Hydrochloride injectable in four dosage strengths: 0.4mg (1ml), 1mg (1ml), 2mg (2ml) and 4mg (10ml).

In April 2007, Hebei Aoxing received clearance from the SFDA for the clinical study of Tilidine Hydrochloride tablets and capsules for the treatment of moderate to severe pain associated with cancer and surgery, as well as other forms of pain. The Tilidine drug is not currently available in China and Hebei Aoxing is currently the only authorized domestic manufacturer of Tilidine tablets and capsules. In the second half of 2007, Hebei Aoxing will be conducting a clinical study, which will include approximately four hundred patients through several health centers in China. The purpose of the study will be to confirm Tilidine's efficacy and safety in reducing pain levels for Chinese patients.

In April 2007 China Aoxing announced that it has signed a Letter of Intent to acquire Shijiazhuang Le Ren Tang Pharmaceutical Ltd ("LRT"). LRT is a pharmaceutical company organized under the laws of China specializing in the manufacturing and distribution of modernized Chinese traditional medicines, with a strong portfolio of pain management products. The Letter of Intent contemplates that CAXG will acquire 100% ownership of LRT. The purchase price is approximately \$10 million (or approximately two times total LRT product sales in 2006, depending on the final audited financial statements). The purchase price will be paid 50% in cash and 50% in shares of the Company's common stock valued at \$4 per share. Completion of the transaction is expected to occur in the fourth quarter of calendar 2007. Completion, however, is subject to a number of conditions, including execution of a final purchase agreement and receipt of approval from the Chinese government.