For Immediate Release **24 September 2007**

China Medical System Holdings Ltd.
("CMS" or "the Company")

MAIDEN INTERIM RESULTS ANNOUNCEMENT

For the six months ended 30 June 2007

China Medical System Holdings Ltd. (AIM: CMSH), the profitable Chinese pharmaceutical sales, marketing & research company, is pleased to announce its maiden interim results following its successful listing on AIM in June 2007, raising £10 million gross for the Company.

Results are reported in US dollar currency unless stated otherwise.

Financial Highlights:

- **Sales up 37% to $24 million (H1'06 : $17.5 million)**
- **Gross profit up 26% to $15.7 million (H1'06 : $12.4million)**
- **Adjusted Net Profit[1] up 57% to $5.4 million (H1'06: $3.4 million)**
- **Net Profit $2.6m (H1'06: $3.2m)**
- **Adjusted net margin on sales[2] of 22% (H1'06: 20%)**
- **Cash and cash equivalents of $22.5 million (H1'06 : $4.4 million)**

Operational Highlights

- **Successful listing on AIM in June 2007**
- **Three new products introduced during the period**
- **Existing licensed drug portfolio continued to perform well**
    - **Deanxit (anti-depressant) : sales up 33%**
    - **Ursofalk Capsule (chloretic) : sales up 32%**
- **New Licensed drug- Augentropfen Stulln Mono (eye drops) : sales reached $1.4m**

Post Review Period

- **Acquisition of Boundless Horizon (Shan Dong) Medical Appliances Co. Ltd., (SBMI) on 26 Aug 2007 for a consideration of RMB 1.5m.**

[1] Adjusted Net Profit represents net profit excluding IPO expenses and Employee benefits recognised
[2] Adjusted net margin on sales represents Adjusted Net Profit[1] as a percentage of sales

Commenting on the results, Mr Kong Lam, Chairman & CEO said:

CMS has proven its strengths in its profitability, growth, sales and marketing network and management team with these results. We aim to fully utilize our sales network and enrich our product portfolio by bringing in more and more in-license products both locally and from abroad. Additionally and in line with our growth strategies, we continue to search globally for potential new drug R&D projects, in particular those with patented technologies and good potential in China which in the longer term provide a platform for growth and future value creation.

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CHAIRMAN'S STATEMENT

In this, the Chairman's first Interim statement since the Company's listing on AIM, may I take this opportunity to welcome all our new shareholders.

CMS is an integrated and profitable pharmaceutical company in China engaging in R&D, manufacturing, distributing and marketing of drugs.

We are committed to one of the fastest developing pharmaceutical markets in the world. We pay heavy attention to R&D and we insist on working with leading biomedical research scientists worldwide progressing research projects efficiently from laboratory discovery through clinical studies to commercialization in the People's Republic of China ("PRC"). We are also continuing to develop and grow our sales and marketing network in targeted markets in China. We believe that our combined R&D and sales capability is a winning formula for the Chinese pharmaceutical market.

Financial Performance

The results for the six months to 30 June 2007 have been very encouraging and have progressed in line with our expectations. Sales increased 37 per cent. to $24.0 million (H1 2006: $17.5 million),

Gross profit for the period was $15.7 million (H1 2006: $12.4 million), representing an increase of 26 per cent. Net profit for the period before IPO expenses and employee benefits recognised also increased 57 per cent. to $5.4m (H1 2006: $3.4m) and represents an adjusted net margin[2] on sales of 22 per cent.(2006: 20 per cent.).

Selling and marketing expenses have increased to $6.5 million (H1 2006: $5.6 million) in line with our budgets as we have introduced new products to the market during the period.

Net operating cash inflow for the period was $4.8 million (H1 2006: $1.7 million), higher than the previous period due principally to the increase in sales.

At the period end, we maintained a healthy cash position, with cash and cash equivalents of $22.5 million (H1 2006: $4.4 million), giving us ample capacity for acquiring new products for distribution and collaborating with Western research institutes, medical universities or small/medium sized biotechnology companies.

Operational Review

Sales & Marketing

Our well-developed sales network has proven its effectiveness and value. During the period we introduced 3 new products as well as boosted the sales of our existing products. Sales growth was driven by a 22 per cent. increase in sales of our existing products to $21.4million (H1 2006: $17.5 million), together with sales of new products of $2.6miliion. We also recruited over 100 sales trainees in the annual recruitment campaign of 2007 to continuously support the expansion of our sales network. The selling and administrative expenses as a percentage of sales have decreased to 27 per cent. and 9 per cent., respectively (H1 2006: 32 per cent. and 11 per cent.).

A brief review of major licensed drug products follows:

Deanxit Tablet

Deanxit is not only one of CMS's oldest licensed drugs but it is also one of the best sellers. Sales of Deanxit increased 33 per cent. to $12.3 million in the first six months of 2007 (H1 2006: $9.3 million). According to an independent report by Synovate Healthcare, Deanxit was ranked second in the domestic PRC antidepressant market in 2006. We carried out some targeted promotional activities and this has borne fruits. So despite the maturity of the product we believe it has further growth potential as we expand into new markets.

Ursofalk Capsule

Ursofalk is also one of CMS's oldest in licensed drugs. Its sales increased 32 per cent. to $6.5 million in the first six months of 2007 (H1 2006: $5.0 million). During the period, CMS together with the supplier Dr Falk Pharma, an international pharmaceutical company based in Germany and specialised in the development and sales of medication for indications in hepatology and gastroenterology, held several large scale academic symposiums. The 163rd International Falk Symposium will be co-sponsored by CMS in China for the first time in March 2008, and this will undoubtedly strengthen the profile of Ursofalk. The International Falk Symposia is considered by Dr Falk Pharma as its flag-ship which has provided scientists and doctors with a platform for the exchange of knowledge in pure and clinical research at the highest level for almost 40 years.

Augentropfen Stulln Mono Eye-drops

Augentropfen Stulln Mono is one of CMS's new products introduced in 2007. Its sales totalled $1.4million in the first six months of 2007. By stepping up the promotional activities including academic seminars and annual conferences, the number of hospitals ordering the product reached 520 by the end of June 2007. In addition, CMS cooperation with the Chinese Medical Association will further strengthen the brand. We believe there is a substantial market in the PRC for this eye drop and the growth in sales will continue over the next few years.

Medical Equipment

CMS acquired Boundless Horizon (Shan Dong) Medical Appliances Co,. Ltd., ("SBMI") on 26 August 2007 for a consideration of RMB 1.5m. SBMI is engaged in researching, manufacturing and distributing a non-invasive Cardiac Hemodynamic Monitoring System used to monitor the mechanical function of the heart.

A subsidiary, Shenzhen Shenke Medical Instrument Technical Development Co Ltd., received CE approval from TUV Rheinland in August 2007.

The successful acquisition of SBMI by CMS is a move to add to the medical instruments portfolio and CE approval will open the way for sales in the European market, which we believe will contribute a further revenue stream and profitability for the Company.

Product Research & Development

Research & Development expenses for the period amounted to $667,000 (1H 2006: $736,000), the decline being due to the absence of clinical trials. We expect R&D expenses to increase in 2H 2007 but will still be controlled between 4 to 8% of sales for the full year.

CMS024, Tyroserleutide, a compound developed by CMS for the treatment of primary liver cancer, applied to SFDA for marketing approval in China in June 2005, and we are still awaiting the evaluation result, namely final approval or advance to Phase III clinical trials. As the anti-corruption actions inside the SFDA Department came to a close at the end of the first half of 2007, registration and evaluation work should gradually return to normal. CMS024 has been through the technical examination and we believe the evaluation result of CMS024 will be concluded in the second half of 2007.

CMS024-02, Tyroservatide, a compound used for the treatment of non-small cell lung cancer, has completed Phase I clinical trial in November 2006, which proved its safety and tolerance. Application for a regulatory approval to begin Phase II trials was submitted to the SFDA in March 2007, and according to the timetable specified by SFDA, we expect the results of the application in the second half of 2007.

CMS010-26, CMS017, CMS-H01, CMS-H02 are at the pre-clinical stage. Further pre-clinical studies are currently being arranged.

Outlook & Summary

CMS has continued to deliver on its plans and growth strategies. CMS has proven its strengths in its, sales & marketing, and management which have contributed to this strong set of results. After its flotation on AIM, CMS has continued to search for new products with market potential in the PRC. We plan to fully utilize our sales network and enrich our product portfolio by bringing in more and more in-licensed products both locally and from abroad. CMS will strive to strengthen its sales team's healthcare experience and reputation with medical professionals in the PRC and aim to become the best and largest integrated pharmaceutical group in the PRC.

In line with our growth strategies, we continue to search globally for potential new drug R&D projects, in particular those with patented technologies with good growth potential in the PRC market. The Company's R&D team will continue to make progress in our in house R&D projects. As soon as one of our research projects receives marketing approval for distribution in the PRC from the SFDA, we are confident that sales and profitability of the Company will be boosted further.

We believe that CMS has built a solid foundation of drugs R&D, sales & marketing and manufacturing which in the longer term, will provide a platform for growth and future value creation.

Kong Lam
Chairman & CEO

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	NOTES	Six months ended 30.6.2007 US$'000 (Unaudited)	30.6.2006 US$'000 (Unaudited)
Turnover	3	23,950	17,455
Cost of goods sold		(8,296)	(5,057)
Gross profit		15,654	12,398
Other income		103	19
Selling expenses		(6,483)	(5,588)
Initial public offering expenses		(2,773)	-
Other administrative expenses		(2,224)	(1,963)
Administrative expenses		(4,997)	(1,963)
Research and development costs		(667)	(767)
Finance costs	4	(170)	(42)
Share of result of an associate		20	(38)
Profit before taxation		3,460	4,019
Taxation	5	(849)	(767)
Profit for the period	6	2,611	3,252
Attributable to:			
Equity holders of the Company		2,631	3,281
Minority interests		(20)	(29)
		2,611	3,252
Dividend	7	-	-
		US$	US$
Earnings per share			
Basic	8	0.066	0.082
Diluted		0.066	0.082

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2007

	NOTES	30.6.2007	31.12.2006
		US$'000	US$'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	9	4,732	4,499
Prepaid lease payments		249	246
Interest in an associate		186	121
Available for sale investment	10	126	-
Intangible assets	11	612	-
Deferred tax asset		554	222
Goodwill	17	379	-
		6,838	5,088
Current assets			
Inventories		3,524	1,684
Trade and other receivables	12	16,087	11,070
Amount due from an associate		43	101
Amounts due from directors	13	39	85
Tax recoverable		-	35
Bank balances and cash		22,540	8,948
		42,233	21,923
Current liabilities			
Trade and other payables	14	7,298	4,592
Amounts due to shareholders		-	5,148
Tax payable		649	447
Bank borrowings	15	6,461	3,739
		14,408	13,926
Net current assets		27,825	7,997
		34,663	13,085
Capital and reserves			
Share capital	16	4,725	2
Reserves		30,094	13,221
Equity attributable to equity holders of the Company		34,819	13,223
Minority interests		(156)	(138)
		34,663	13,085

The financial statements were approved and authorised for issue by Board of Directors on 21 September 2007.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Attributable to the equity holders of the Company										
	Share capital	Share premium	Capital reserve	Share options reserve	Surplus reserve fund	Public welfare fund	Accumulated (losses) profits	Translation reserve	Total	Minority interest	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2007	2		8,909		2,433	845	(46)	1,080	13,223	(138)	13,085
Exchange differences arising from translation of PRC operations recognised directly in equity	-	-	-	-	-	-	-	523	523	(2)	521
Profit for the period	-	-	-	-	-	-	2,631	-	2,631	(20)	2,611
Total recognised income and expenses for the period	2	-	8,909	-	2,433	845	2,585	1,603	16,377	(160)	16,217
Issue of shares on capitalisation issue	3,998	-	(3,998)	-	-	-	-	-	-	-	-
Issue of shares upon placing and admission to AIM	725	19,264	-	-	-	-	-	-	19,989	-	19,989
Recognition of equity settled share based payments	-	(570)	-	570	-	-	-	-	-	-	-
Expenses incurred in connection with the issue of shares upon placing and admission to AIM	-	(1,547)	-	-	-	-	-	-	(1,547)	-	(1,547)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	4	4
Balance at 30 June 2007	4,725	17,147	4,911	570	2,433	845	2,585	1,603	34,819	(156)	34,663
Balance at 1 January 2006	20	-	216	-	2,433	845	(4,060)	392	(154)	(70)	(224)
Exchange differences arising from translation of PRC operations recognised directly in equity	-	-	-	-	-	-	-	197	197	(1)	196
Profit for the period	-	-	-	-	-	-	3,281	-	3,281	(29)	3,252
Total recognised income and expense for the period	20	-	216	-	2,433	845	(779)	589	3,324	(100)	3,224
Employee benefit recognised	-	-	168	-	-	-	-	-	168	-	168
Balance at 30 June 2006	20	-	384	-	2,433	845	(779)	589	3,492	(100)	3,392

Note: The Company granted the share options of 708,695 shares on 26 June 2007 to Evolution Securities China Limited ("Evolution") in connection with the underwriting of the new shares of the Company by way of placing and public offer with an exercise price of GBP1.38 per share in consideration of the sum of GBP1 paid by Evolution to the Company. The share option will expire on 25 June 2012.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	NOTE	Six months ended 30.6.2007	30.6.2006
		US$'000	US$'000
Net cash from operating activities		4,831	1,687
Investing activities			
Repayment from a director		553	-
Interest received		22	11
Acquisition of a subsidiary	17	(344)	-
Purchase of property, plant and equipment		(412)	(782)
Acquisition of available for sale investment and intangible asset		(770)	-
Repayment from a related company		-	4,999
Net cash (used in) from investing activities		(951)	4,228
Financing activities		19,989	-
Proceeds from issue of shares			
Expenses incurred in connection with issue of shares upon placing and admission to AIM		(4,320)	-
New bank borrowings raised		3,485	-
Interest paid		(170)	(42)
Dividend paid to a minority shareholder		(257)	-
Repayment of borrowings		(1,313)	-
Repayment of other borrowings		(2,831)	-
Repayment of amounts due to shareholders		(5,280)	(6,951)
Advance from a related company		-	784
Net cash from (used in) financing activities		9,303	(6,209)
Net increase (decrease) in cash and cash equivalents		13,183	(294)
Effect of foreign exchange rate changes		409	244
Cash and cash equivalent at 1 January		8,948	4,414
Cash and cash equivalent at 30 June, represented bank balances and cash		22,540	4,364

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

1 GENERAL AND BASIS OF PRESENTATION

The Company is a public company incorporated in the Cayman Islands on 18 December 2006. On 26 June 2007, the Company was listed on the Alternative Investment Market operated by the London Stock Exchange plc.

The Company is an investment holding company. The principal activities of subsidiaries of the Company are production of medicines, distribution and import of drugs and medical devices and research and development on microbiology related drugs.

Through a group reorganisation to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares (the "Group Reorganisation"), the Company became the ultimate holding company of the Group on 28 December 2006. Details of the Group Reorganisation are fully explained in Part V to the placing and admission document of the Company dated 21 June 2007.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the business combination resulting from the Group Reorganisation has been accounted for using the principles of merger accounting. In applying the principles of merger accounting, the condensed consolidated financial statements have been prepared as if the group structure after the completion of the Group Reorganisation had been in existence throughout the six months ended 30 June 2006 or since their date of incorporation where this is a shorter period.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim financial reporting" issued by the International Accounting Standard Board ("IASB").

2 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for available for sale investment, which is measured at fair value.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2006 except as described below:

<u>Intangible assets</u>

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Available for sale investment

At each balance sheet date subsequent to initial recognition, available for sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available for sale financial assets are recognised in profit or loss. Impairment losses on available for sale equity investments will not reverse in profit or loss in subsequent periods. For available for sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

In the current interim period, the Group has applied, for the first time, amendment of IAS, International Financial Reporting Standards ("IFRS") and the related Interpretations ("IFRICs") (hereinafter collectively referred to as "new IFRSs") issued by the IASB and the International Financial Reporting Interpretations Committee, which are effective for the Group's financial year beginning on 1 January 2007. The adoption of the new IFRSs has no material effect on the results and financial position for the current and prior accounting periods. Accordingly, no prior period adjustment is required.

The Group has not early adopted the following new and revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

IAS 1 (Revised)	Presentation of financial statements [1]
IAS 23(Revised)	Borrowing costs [1]
IFRS 8	Operating segments [1]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions [2]
IFRIC 12	Service concession arrangements [3]
IFRIC 13	Customer loyalty programmes [4]
IFRIC 14	IAS 19 - The limit on a defined benefit asset, minimum funding requirement and their interaction [3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 March 2007.
[3] Effective for annual periods beginning on or after 1 January 2008.
[4] Effective for annual periods beginning on or after 1 July 2008.

3 TURNOVER

Turnover represents the net amount received and receivable for goods sold during the year.

The Group's operations comprise a single segment, being an enterprise engaged in research and development, manufacture and distribution of drugs and medical devices. Over 90% of the Group's sales were made in the PRC and over 90% of the Group's assets were situated in the People's Republic of China ("PRC") during the six months ended 30 June 2007.

4 FINANCE COSTS

The finance costs represent the interest on bank loans wholly repayable within five years.

5 TAXATION

	Six months ended	
	30.6.2007	30.6.2006
	US$'000	US$'000
Current tax:		
PRC Enterprise Income Tax	1,181	693
Deferred taxation (credit) charge		
- current period	(185)	74
- attributable to a change in tax rate	(147)	-
	(332)	74
Taxation charge for the period	849	767

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable to each period.

On 16 March 2007, the National People's Congress promulgated the Corporate Income Tax Law of the PRC (the new "CIT") which will be effective from 1 January 2008. The new CIT will impose a single income tax rate of 25% for both domestic and foreign invested enterprises. The existing Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (the "FIE and FE tax laws") and Provisional Regulations of the PRC on Enterprise Income Tax (collectively referred to as the "existing tax laws") will be abolished simultaneously. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the temporary difference is reversed.

6 PROFIT FOR THE PERIOD

	Six months ended 30.6.2007 US$'000	Six months ended 30.6.2006 US$'000
Profit for the period has been arrived at after charging:		
Amortisation of intangible asset	32	-
Depreciation of property, plant and equipment	288	230
Loss on disposal of property, plant and equipment	3	-
Minimum lease payment under operating lease in respect of property	134	161
Release of prepaid lease payments	3	3

7 DIVIDEND

No dividend was paid or proposed during the period, nor has any dividend been proposed since the balance sheet date (nil for six months ended 30 June 2006).

8 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30.6.2007	Six months ended 30.6.2006
	US$'000	US$'000
Profit attributable to equity holders of the Company	2,631	3,281

	Number of ordinary shares Six months ended 30.6.2007	Number of ordinary shares Six months ended 30.6.2006
Weighted average number of ordinary shares for the purpose of basic earnings per share	40,160,000	40,000,000
Effect of dilutive potential ordinary shares on share options	1,136	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	40,161,136	40,000,000

For the purpose of the calculation of basic earnings per share, the weighted average number of shares in issue was calculated assuming that the capitalisation issue had been taken place on 1 January 2006.

9 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent US$412,000 (US$782,000 for six months ended 30 June 2006) on the acquisition of property, plant and equipment.

10 AVAILABLE FOR SALE INVESTMENT

In February 2007, the Group acquired a 51% equity interest in Qingdao League Pharmaceutical Co., Ltd. ("Qingdao League"), a limited liability company established in the PRC, from an independent third party at a total consideration of RMB5,865,000 (equivalent to approximately US$770,000).

On 10 February 2007, the Group entered into an operation agreement (the "Operation Agreement") with Ophol Limited, the remaining 49% shareholder of Qingdao League. Pursuant to the Operation Agreement, Ophol Limited is wholly responsible for the management and operation of the business of Qingdao League in particular, the wholesale of supermarket business. The Group does not participate in the management and operation of Qingdao League and the resulting operating results and liabilities of Qingdao League are solely borne by Ophol Limited. Pursuant to the joint venture agreement of Qingdao League and the Operation Agreement, the directors of the Company regard Qingdao League as an available for sale investment of the Group. Pursuant to the joint venture agreement of Qingdao League, the joint venture period of Qingdao League is for twenty years from 7 February 2007. The directors of the Company are of the view that the Group can fully recover the contributed capital attributable to the Group in Qingdao League upon the expiry of the joint venture period of Qingdao League. The fair value of the investment in Qingdao League as at the date of acquisition amounted to approximately US$126,000.

11 INTANGIBLE ASSET

	US$'000
COST	
Acquired during the period and at 30 June 2007	644
AMORTISATION	
Charge for the period and balance at 30 June 2007	32
CARRYING VALUE	
At 30 June 2007	612

The intangible asset represents the exclusive distribution rights in connection to a finished drug product under the trade name of Augentropfen Stulln Mono. On 10 February 2007, the Group entered into a supplemental agreement with Qingdao League, which gave to the Group exclusive distribution rights of Augentropfen Stulln Mono in the PRC for a term of ten years with effect from 1 January 2007 to 31 December 2016. In the opinion of the directors of the Company, the exclusive distribution rights were acquired by the Group in connection with the Operation Agreement described in Note 10 above. Accordingly, the cost of the intangible asset of exclusive distribution rights amounting to US$644,000 obtained from Qingdao League was determined as the excess of the consideration paid of US$770,000 and the fair value of the investment in Qingdao League as at the date of acquisition of US$126,000.

The expected useful life of the intangible asset is 10 years.

12 TRADE AND OTHER RECEIVABLES

The Group normally allows a credit period of three months to its trade customers.

An aged analysis of the trade receivables at the respective balance sheet dates was as follows:

	30.6.2007	31.12.2006
	US$'000	US$'000
0 - 90 days	12,182	7,969
91 - 365 days	1,988	1,356
Over 365 days	113	131
	14,283	9,456

13 AMOUNTS DUE FROM DIRECTORS

Amounts due from directors comprises:

	30.6.2007	31.12.2006
	US$'000	US$'000
Hou Xiaoxuan	7	3
Chen Hongbing	32	82
	39	85

14 TRADE AND OTHER PAYABLES

An aged analysis of the trade payables at the respective balance sheet dates was as follows:

	30.6.2007	31.12.2006
	US$'000	US$'000
0 - 90 days	3,832	2,634
91 - 365 days	6	6
Over 365 days	1	1
	3,839	2,641

15 BANK BORROWINGS

During the period, the Group repaid bank loans amounting to US$1,313,000 and obtained new bank loans amounting to US$3,485,000. The new loans bear interest at 5.253% per annum and are repayable within one year. The proceeds were used for general working capital.

16 SHARE CAPITAL

	Number of shares	Amount
	'000	US$'000
Authorised share capital with nominal value of US$0.1 each:		
At 1 January 2007	10,000	1,000
Increase in authorised share capital	990,000	99,000
At 30 June 2007	1,000,000	100,000
Issued and fully paid:		
At 1 January 2007	20	2
Issue of shares on capitalistion issue	39,980	3,998
Issue of shares by placing and public offer	7,246	725
At 30 June 2007	47,246	4,725

Pursuant to the written shareholders' resolutions of the Company dated on 25 April 2007, the Company increased its authorised share capital from US$1,000,000 to US$100,000,000 by the creation of 990,000,000 ordinary shares of US$0.1 each.

Pursuant to the written shareholders' resolution of the Company dated 25 April 2007, there was a capitalisation issue of 39,980,000 new ordinary shares of US$0.10 each to the existing shareholders at par by applying the sum of US$3,998,000 standing to the capital reserve of the Company. Such new ordinary shares were credited as fully paid and rank pari passu with the then existing ordinary shares.

On 26 June 2007, 7,246,376 new ordinary shares of US$0.1 of the Company were issued at GBP1.38 per share (equivalent to US$2.76 per share) by way of placing and public offer.

All the shares which were issued by the Company during the period rank pari passu with each other in all respect.

17 ACQUISITION OF A SUBSIDIARY

In January 2007, the Group acquired 60% equity interest in Sky United Trading Limited ("Sky United"), a private limited liability company incorporated in Hong Kong, from Mr. Vincent Hui and his father for aggregate cash consideration of HK$3 million (equivalent to approximately US$386,000) and Sky United has become a 60% subsidiary of the Company thereafter. Mr. Vincent Hui is an employee of the Group.

The net assets acquired in this transaction are as follows:

	Acquiree's carrying amount before combination and fair value
	US$'000
Net assets acquired:	
Property, plant and equipment	2
Trade and other receivables	2,968
Amount due from a director	553
Bank balances and cash	42
Trade and other payables	(1)
Other borrowings	(2,831)
Amount due to a director	(6)
Dividend payable	(257)
Tax payable	(5)
Bank borrowings	(454)
	11
Minority interests	(4)
Net assets acquired	7
Goodwill	379
Total consideration, satisfied by cash	386
Net cash outflow arising on acquisition:	
Cash consideration paid	(386)
Cash and cash equivalents acquired	42
	(344)

The goodwill arising on the acquisition of Sky United is attributable to the anticipated future operating synergies from the business combination.

The acquiree has contributed insignificant turnover and profit to the Group for the period between the date of acquisition and the balance sheet date.

Had the acquisition been completed on 1 January 2007, there would have insignificant impact on the turnover and profit to the Group respectively.

18 PLEDGE OF ASSETS

The Group has pledged the following assets to secure general banking facilities granted to the Group:

	30.6.2007	31.12.2006
	US$'000	US$'000
Property, plant and equipment	2,060	2,382
Land use rights	255	252
	2,315	2,634

19 OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of property which fall due as follows:

	30.6.2007	31.12.2006
	US$'000	US$'000
Within one year	299	96
In the second to fifth year inclusive	816	20
	1,115	116

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated and rentals are fixed for lease term of 1 to 2 years.

20 RELATED PARTY TRANSACTIONS

During the period ended 30 June 2007, the office premises occupied by the Group was owned by a related company in which all directors of the Company have beneficial interests. No rental expenses were charged by the related company over the period.

During the period ended 30 June 2007, Shenzhen Kangzhe Industrial Investment Co. Ltd., in which Dr. Lam Kong, the controlling shareholder of the Group, has a beneficial interest, provides credit guarantees to banks in the PRC in respect of bank loans of the Group of RMB15,000,000 and RMB20,000,000 with terms from 11 December 2006 to 11 June 2007 and 5 February 2007 to 3 August 2007 respectively.

During the period ended 30 June 2006, Dr. Lam Kong granted certain shares to the employees of the Group pursuant to Internal Management and Regulation of the Group and share based payment expense of US$168,000 was recognised in the condensed consolidated income statement.

20 RELATED PARTY TRANSACTIONS (continued)

In addition, the Group also entered into the following significant transactions with related parties during the year:

	Six months ended 30.6.2007	Six months ended 31.12.2006
	US$'000	US$'000
Compensation paid to key management personnel		
Short-term benefits	246	98
Post-employment benefits	7	6
	253	104
Purchase of medicines from an investee company	942	-
-Purchase of finished goods from an associate	68	-

INDEPENDENT REVIEW REPORT IN RESPECT OF INTERIM FINANCIAL INFORMATION

TO CHINA MEDICAL SYSTEM HOLDINGS LIMITED

We have reviewed the interim financial information of China Medical System Holdings Limited and its subsidiaries set out on pages 2 to 15 which comprises the condensed consolidated balance sheet as of 30 June 2007, the condensed consolidated income statement, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six months ended 30 June 2007 and certain explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim financial reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months ended 30 June 2006 disclosed in the interim financial information has not been reviewed in accordance with the International Standard on Review Engagements 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 September 2007