



上海復旦張江生物醫藥股份有限公司
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

INTERIM REPORT
For the six months ended 30 June, 2002

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This report, for which the directors of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the six months ended 30 June, 2002, turnover of the Group amounted to approximately RMB11.3 million, compared to RMB3.2 million for the corresponding period in 2001. The increase in turnover is mainly due to the partial recognition of a technology transfer revenue of RMB7.0 million. On 25 March, 2002, the Company signed a technology transfer agreement with Shangdong Dong-E E-jiao Co. Ltd. for a total consideration of RMB15.0 million. The Group has recognised part of the total contract sum in the six months ended 30 June, 2002 after completed certain milestones as specified in the technology transfer agreement. Moreover, the increase in turnover is also attributable to an increase in the sales of medical and diagnostic reagents by 33% as compared to the same period in 2001 which is principally due to the enhanced marketing efforts of the Group's sales agents.

The total expenses of the Group for the six months ended 30 June, 2002 was approximately RMB13.9 million, compared with RMB8.2 million for the corresponding period in 2001. The increase was a result of more resources being devoted to research and development activities and the increase in employees' benefits.

The Group recorded a profit before taxation of approximately RMB1.1 million for the six months ended 30 June, 2002, compared with a loss before taxation of approximately RMB2.3 million for the corresponding period in 2001.

As at 30 June, 2002, the Group invested approximately RMB3.6 million in funds, compared with approximately RMB5.6 million as at 31 December, 2001. Such decrease was principally due to the redemption of fund investment by the Group.

Operation review

The Group has moved to a new office and research complex in May 2002. This move allows all of its dispersed operations to be relocated to a central location that permitted internal integration and ease in management of different operations of the Group.

During the six months ended 30 June, 2002, the study on the recombinant tissue type plasminogen activator ("r-tPA"), a drug for cure of acute heart infarction, has been accomplished. On 25 March, 2002, the Group signed a technology transfer agreement with an independent third party, Shandong Dong-E E-jiao Co. Ltd., to transfer r-tPA for a total consideration of RMB15.0 million.

Moreover, the sales contract states that the Company is entitled in future to receive royalty payments, being equivalent to a percentage ranging from 2% to 5% of the gross annual sales for a period of eight years, from Shandong Dong-E E-jiao Co. Ltd.

In relation to the research and development, the Group has commenced three new research projects during the six months ended 30 June, 2002. Total investments in these projects to date is not material but it is expected that the Group will increase the level of investment after the initial stages of these research projects. Moreover, during the six months ended 30 June, 2002, five research technicians who have academic qualification vary from bachelor to doctorate's degree have been recruited to cater for the new and existing research projects.

Prospect

Several projects, including recombinant human parathyroid hormone derivatives (for the treatment of osteopetrosis) and Hemporfin (a photosensitizer to be applied in the treatment of abnormal blood vessel diseases such as port wine stain, age-related muscular degeneration and corneal neovascularization) have reached final stages of research. Those projects are expected to be ready in applying for the clinical trial of the State Drugs Administration ("SDA") of the People's Republic of China ("PRC") by the end of 2002.

HLA genotyping chip developed by the Group is a diagnostic product for use in determining the compatibility in transplantation of human organs, bones marrow or stem cells. The Group has entered into negotiations with several independent third parties for licensing and/or purchases the Group's HLA genotyping chip. It is expected that large scale prototype testing and trial production will be conducted in the second half of 2002. Approximately 15 employees will be recruited in the second half of 2002 for manufacturing and selling of HLA genotyping chip.

Good Manufacturing Practice ("GMP") is the standards for the control of pharmaceutical production quality, which are guidelines and regulations stipulated by SDA from time to time for the certification of pharmaceutical producers in the PRC. At present, production by the Company of its medical diagnostic reagents has not been accredited as GMP-compliant. It is the intention of the Directors that the Company's production to fully comply with the GMP standards. As a result, the Group is planning to apply for the GMP certification in the second half of 2002. Had such certification be obtained, it will enhance the image of the reagent products and the HLA genotyping chip manufactured by the Group.

Comparison of business objectives with actual business progress

As this interim report covers activities up to 30 June, 2002 only, no further update is applicable for all business objectives stated in the section headed "Business Objectives" of the Company's prospectus which was issued on 31 July, 2002 (the "Prospectus") in connection with the placing of shares of the Company on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Use of proceeds

The shares of the Company have been listed on the GEM of the Stock Exchange since 13 August, 2002. The Company currently intends to deposit the funds raised through the share placing in banks and to invest them in appropriate financial instruments to generate interest income for the Company and to apply the said fund later according to the schedule as mentioned under the section of "Proceeds of the Placing" in the supplementary prospectus dated 6 August, 2002 (the "Supplementary Prospectus").

Dividends

After due consideration of the future working capital and development needs of the Group, the directors do not recommend the payment of an interim dividend for the six months ended 30 June, 2002.

Significant investments

As at 30 June, 2002, the Group invested approximately RMB3.6 million in funds, compared with approximately RMB5.6 million as at 31 December, 2001. Such decrease was principally due to the redemption of fund investment by the Group.

Material acquisitions and disposals of subsidiaries and associated companies

The Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 June, 2002.

Contingent liabilities

As at 30 June, 2002 and 31 December, 2001, the Directors are not aware of any material contingent liabilities.

Charge on assets

As at 30 June, 2002 and 31 December, 2001, the Group did not have any charge on its assets.

Banking facilities

As at 13 August, 2002, the Group has no banking facilities.

Future plans for material investments or capital assets

Save as disclosed in the Prospectus dated 31 July, 2002, there are no future plans for material investments or capital assets.

LIQUIDITY AND FINANCIAL RESOURCES

Prior to the placing of shares in August, 2002 by the Company, the Group financed its operations with internally generated financial resources and loans from municipal government authorities. As at 30 June, 2002, the Group had outstanding loans from municipal government authorities of RMB1.85 million which are unsecured and interest free. Of the total amount of loans from municipal government authorities, RMB1.45 million are repayable within the next year and the remaining balance repayable in the second year.

As at 30 June, 2002, the Group had a net cash and cash equivalent position of approximately RMB24.3 million. Following the listing of the Company's shares on the GEM of the Stock Exchange on 13 August, 2002, the liquidity position of the Group has been strengthened with the proceeds from the placing of shares, which amounts to approximately HK\$127.6 million after deducting all relevant expenses. The Group intends to apply these proceeds in the manner as disclosed in the Supplementary Prospectus.

The Group's gearing ratio at 30 June, 2002 was 0.43 (31 December, 2001: 0.32) which is calculated based on the Group's total liabilities of RMB25,763,000 (31 December, 2001: RMB21,591,000) and shareholders' funds of RMB60,163,000 (31 December, 2001: RMB67,031,000).

The Group adopts a conservative treasury policies in cash and financial management. To achieve better risk control and minimize cost of funds, the Group's treasury activities are centralized. The Group's earnings, cash and borrowings are primarily denominated in Renminbi, there is no significant exposure to foreign exchange rate fluctuations. The Group's liquidity and financing arrangements are reviewed regularly.

EMPLOYEES

As at 30 June, 2002, the Group had a total of 99 employees, as compared to 96 employees as at 31 December, 2001. Staff costs including directors' remuneration for the six months ended 30 June, 2002 and 2001 were RMB4.6 million and RMB2.4 million, respectively. Increase in staff costs was due to the increase in the average number of staff from 64 for the six months ended 30 June, 2001 to 99 for the same period in 2002. The Group's employment and remuneration policies remained unchanged with those described in the Prospectus.

PURCHASE, SALE OR REDEMPTION OF SHARES

Up to 13 August, 2002, there had been no purchase, sale or redemption by the Company, or its subsidiary, of the Company's shares.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors, chief executive (the "Chief Executive") or supervisors of the Company (the "Supervisors") or their spouse or children under the age of 18 was granted by the Company or its subsidiary any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 13 August, 2002.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY

As the shares of the Company were listed on the GEM of the Stock Exchange on 13 August, 2002, the Company was not required to keep a register under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as at 30 June, 2002.

As at 13 August, 2002, the interests of the Directors, the Chief Executive and the Supervisors and their respective associates in the shares or debentures of the Company and its associated corporations, if any, as required to be recorded in the register maintained by the Company under Section 29 of the SDI Ordinance were as follows:

Name of directors	Number of ordinary shares of RMB0.10 each		
	Personal interests	Corporate/ family/ other interests	Total
Wang Hai Bo	51,886,430	—	51,886,430
Su Yong	18,312,860	—	18,312,860
Zhao Da Jun	15,260,710	—	15,260,710
Fang Jing	5,654,600	—	5,654,600

Apart from the aforesaid, none of the Directors, the Chief Executive and the Supervisors and their respective associates had, following the listing of the Company, any interests in the shares or debentures of the Company and its associated corporations, if any, as recorded in the register under Section 29 of the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As the shares of the Company were listed on the GEM of the Stock Exchange on 13 August, 2002, the Company was not required to keep a register under Section 16(1) of the SDI Ordinance as at 30 June, 2002.

So far as the Directors are aware, as at 13 August, 2002, the shareholders having an interest of 10% or more in the respective class of share capital of the Company as registered in the register required to be kept under Section 16(1) of the SDI Ordinance are listed as follows:

Name of shareholders	Class of shares	Number of shares held	Percentage in the respective class of share capital	Percentage in total issued share capital
Shanghai Pharmaceutical Co., Ltd.	Domestic Shares	139,578,560	27.26%	19.66%
China General Technology (Group) Holding, Limited	Domestic Shares	130,977,816	25.58%	18.45%
Shanghai Zhangjiang Hi-Tech Park Development Corp.	Domestic Shares	105,915,096	20.69%	14.92%
Wang Hai Bo	Domestic Shares	51,886,430	10.13%	7.31%
S.I. Pharmaceutical Holdings Ltd. <i>(note)</i>	H Shares	70,856,000	35.79%	9.98%

Note: Including the 5,000,000 H Shares held by SIIC Medical Science and Technology Group Limited

Apart from the aforesaid, no other person is recorded in the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance as having an interest in 10% or more of the issued share capital of the Company.

DETAILS OF OPTIONS GRANTED BY THE COMPANY

On 23 June, 2002, the Company has adopted a share option scheme (the "Share Option Scheme") under which the executive directors or full-time employees of the Company or its subsidiary or any of their respective associates may be granted options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

As at the date of this report, no option has been granted or agreed to be granted to any executive directors or full-time employees of the Company or its subsidiaries or any of their respective associates under the Share Option Scheme.

JOINT SPONSORS' INTERESTS

Pursuant to a sponsors agreement dated 12 August, 2002 between the Company, Guotai Junan Capital Limited ("Guotai Junan") and Barits Securities (Hong Kong) Limited ("Barits"), Guotai Junan and Barits have been appointed as the joint sponsors to the Company as required under the GEM Listing Rules at a fee from 13 August, 2002 to 31 December, 2004.

As at 13 August, 2002, two fellow subsidiaries of Guotai Junan held an aggregate of 1,340,000 H Shares of the Company. Apart from the aforesaid, Guotai Junan, Barits, their directors, employees nor any of their respective associates did not have any interest in any securities of the Company or any of its associated corporations.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the shares of the Company were listed on the GEM of the Stock Exchange on 13 August, 2002.

COMPETING INTERESTS

As shown in the following table none of the Directors, the management shareholders of the Company and their respective associates had any interest in a business which competes or may compete with the businesses of the Group.

Shanghai Pharmaceutical

Investee company	Nature of business	Shareholding interests
Shanghai Tongyong Pharmaceutical Co., Ltd. (上海通用藥業股份有限公司)	Drug manufacturing	40%
Jiangxi Nanhua Pharmaceutical Co., Ltd. (江西南華醫藥有限公司)	Drug retailing	50%
Shanghai Pharmaceutical (Sudan) Co., Ltd. (上海製藥(蘇丹)有限公司)	Drug manufacturing	55%
Shanghai Hefeng Pharmaceutical Co., Ltd. (上海禾豐製藥有限公司)	Drug manufacturing	50%
Shanghai No. 9 Pharmaceutical (上海第九製藥廠)	Drug manufacturing	100%
Shanghai Changzheng Fuming Pharmaceutical Co., Ltd. (上海長征富民藥業有限公司)	Drug manufacturing	51%
Shanghai Changzheng Jinshan Pharmaceutical Co., Ltd. (上海長征富民金山制藥有限公司)	Drug manufacturing	65%
Shanghai Fuda Pharmaceutical Co., Ltd. (上海福達製藥業有限公司)	Drug manufacturing	70%
Anhui Huashi Pharmaceutical Co., Ltd. (安徽華氏醫藥有限公司)	Drug manufacturing	67%
Shanghai Huashi Pharmaceutical Co., Ltd. (上海華氏製藥有限公司) (Note 1)	Drug manufacturing	100%
Shanghai Huashi Pharmaceutical Hi-Tech Industrial Development Co., Ltd. (上海華氏醫藥高科技實業發展有限公司)	Drug introduction and R&D of chemical and imitative drugs	100%

China General

Investee company	Nature of business	Shareholding interests
Hainan Tongmeng Pharmaceutical Co., Ltd. (海南同盟藥業有限公司)	Drug manufacturing	49%
Hainan Sanyang Pharmaceutical Co., Ltd. (海南三洋藥業有限公司) (Note 2)	Drug trading	65%
China Pharmaceutical Health Accessories Import and Export Corporation (中國醫藥保健品進出口總公司)	Drug trading	100%

Investee company	Nature of business	Shareholding interests
Meilian Biotechnology Company (美聯生物技術公司)	R&D of genetic pattern	49.47%
Shanghai National Bio-pharmaceutical Base Pharmaceutical Selling Co., Ltd. (上海國家生物醫藥基地醫藥銷售有限公司)	Sales of drugs	75%

Notes:

1. Yu Qing Hua, a non-executive Director and director of Shanghai Pharmaceutical, was nominated and appointed by Shanghai Pharmaceutical as the chairman of the board of Shanghai Huashi Pharmaceutical Co., Ltd..
2. Zhang Li Qiang, a non-executive Director and a deputy general manager of China General Industry Company, was nominated and appointed by China General to be the chairman of the board of Hainan Sanyang Pharmaceutical Co., Ltd..
3. Save for notes (1) and (2) above, the above Initial Management Shareholders have no board representation in the investee companies listed above.

AUDIT COMMITTEE

The Company has established an audit committee on 30 January, 2002 with written terms of reference based on the guidelines recommended by the Hong Kong Society of Accountants. The audit committee comprises two independent non-executive directors of the Company, namely Feng Zheng Quan, who is the Chairman of such committee, and Pei Gang.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim report and the unaudited condensed interim accounts for the six months ended 30 June, 2002 with the directors.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited Three months ended 30 June,		Unaudited Six months ended 30 June,	
		2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Revenues					
Turnover	3	7,459	2,381	11,290	3,227
Other revenues		124	17	145	27
Total revenues		7,583	2,398	11,435	3,254
Costs and expenses					
Cost of sales		(3,736)	(1,943)	(5,771)	(2,349)
Research and development		(2,707)	(1,597)	(4,792)	(2,822)
Distribution costs		(415)	(320)	(879)	(589)
Administrative expenses		(1,160)	(1,513)	(2,423)	(2,419)
Other operating expenses		(2)	(1)	(5)	(3)
Total expenses		(8,020)	(5,374)	(13,870)	(8,182)
Other income		1,948	566	3,503	2,637
Profit/(loss) before taxation	4	1,511	(2,410)	1,068	(2,291)
Taxation (charge)/credit	5	(290)	356	(184)	338
Profit/(loss) after taxation		1,221	(2,054)	884	(1,953)
Minority interests		189	32	198	34
Profit/(loss) attributable to shareholders		1,410	(2,022)	1,082	(1,919)
Earnings/(loss) per share (RMB)	7	0.0026	(0.0038)	0.0020	(0.0036)

CONSOLIDATED BALANCE SHEET

		Unaudited 30 June, 2002 RMB'000	Audited 31 December, 2001 RMB'000
Non-current assets			
Fixed assets	8	38,796	27,175
Technical know-how	8	1,443	1,479
Deferred development costs	8	8,101	6,870
Available-for-sale investments		856	856
		<u>49,196</u>	<u>36,380</u>
Current assets			
Deferred taxation assets		81	242
Inventories		1,245	1,211
Trade receivables	9	2,607	2,224
Other receivables, deposits and prepayments		5,426	1,142
Amount due from a related company		1,000	4,000
Available-for-sale investments		3,602	5,863
Deposits in other financial institutions		8,558	911
Cash and bank balances		15,723	38,359
		<u>38,242</u>	<u>53,952</u>
Current liabilities			
Trade payables	10	485	623
Other payables and accruals		8,897	9,554
Dividend payable	6	7,950	—
Deferred revenue		4,458	7,072
Current taxation liabilities		23	51
Loans from municipal government authorities	11	1,450	1,450
Amount due to a shareholder		2,100	2,441
		<u>25,363</u>	<u>21,191</u>
Net current assets		<u>12,879</u>	<u>32,761</u>
Total assets less current liabilities		<u>62,075</u>	<u>69,141</u>
Non-current liabilities			
Loans from municipal government authorities	11	400	400
Minority interests		1,512	1,710
Net assets		<u>60,163</u>	<u>67,031</u>
Financed by:			
Share capital		53,000	53,000
Reserves		7,163	14,031
Shareholders' funds		<u>60,163</u>	<u>67,031</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30 June, 2002 RMB'000	Unaudited Six months ended 30 June, 2001 RMB'000
Net cash used in operating activities	(3,515)	(338)
Net cash used in investing activities	(11,474)	(18,146)
	<hr/>	<hr/>
Decrease in cash and cash equivalents	(14,989)	(18,484)
	<hr/> <hr/>	<hr/> <hr/>
Movement in cash and cash equivalents		
At beginning of the period	39,270	43,421
Decrease	(14,989)	(18,484)
	<hr/>	<hr/>
At end of the period	24,281	24,937
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	15,723	3,316
Deposits in other financial institutions	8,558	21,621
	<hr/>	<hr/>
	24,281	24,937
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					Total RMB'000
	Share capital RMB'000	Capital accumulation reserve RMB'000	Statutory common reserve fund RMB'000	Statutory common welfare fund RMB'000	(Accumulated loss/ retained earnings RMB'000	
Balance						
at 1 January, 2001	53,000	5	531	531	1,138	55,205
Loss for the period	—	—	—	—	(1,919)	(1,919)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance						
at 30 June, 2001	53,000	5	531	531	(781)	53,286
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance						
at 1 January, 2002	53,000	5	1,675	1,103	11,248	67,031
Dividend relating to 2001 (note 6)	—	—	—	—	(7,950)	(7,950)
Profit for the period	—	—	—	—	1,082	1,082
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance						
at 30 June, 2002	53,000	5	1,675	1,103	4,380	60,163
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE CONDENSED ACCOUNTS

1. Background

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. was established in the PRC on 11 November, 1996 as a limited liability company with an initial registered capital of RMB5,295,000.

Pursuant to a series of capital injections on 10 November, 1997, 11 May, 2000, and 12 September, 2000 from the existing or the then existing shareholders of the Company and the capitalisation of reserves of the Company on 11 December, 1997 and 20 October, 2000, the registered capital of the Company was increased from RMB5,295,000 to RMB53,000,000.

On 8 November, 2000, the Company was transformed into a joint stock company with limited liability.

On 20 January, 2002, all of the shares of the Company, being 53,000,000 ordinary shares with a par value of RMB1.00 each, were subdivided into 530,000,000 ordinary shares with a par value of RMB0.10 each.

On 13 August, 2002, the Company commenced the trading of the newly issued 198,000,000 ordinary shares of Rmb0.1 each on the GEM of the Stock Exchange.

As at the date of this report, the Company has a direct interest of 62.5% in a subsidiary, Shanghai Morgan-Tan International Center for Life Sciences, Co., Ltd.

2. Accounting policies and basis of preparation

The principal accounting policies adopted by the Group in arriving at the financial information described in these unaudited condensed interim accounts are set out below:

- (a) The accounts have been prepared in accordance with International Accounting Standards and Interpretations of the Standing Interpretations Committee (collectively as "IAS"). They have been prepared under the historical cost convention except that, the available-for-sale investments are shown at fair value.

- (b) The accounts have been prepared in accordance with IAS 34 “Interim Financial Reporting” and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.
- (c) The accounting policies and basis of preparation used in the preparation of the accounts are consistent with those used in the preparation of the Company’s financial information included in the accountants’ report set out in the Prospectus.
- (d) The accounts have been prepared on a consolidated basis which include the financial statements of the Company and its subsidiary. A subsidiary is an entity in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

3. Turnover and segment information

The Group is principally engaged in research, development and selling of self-developed bio-pharmaceutical know-how, carrying out contracted research for customers, and manufacturing and selling of diagnostic reagent and the provision of related ancillary services.

An analysis of the Group's turnover and contribution to profit/(loss) before taxation by principal activities is as follows:

	Unaudited Three months ended 30 June, 2002			Unaudited Three months ended 30 June, 2001		
	Research and development activities <i>RMB'000</i>	Sales of diagnostic reagent and the provision of related ancillary services <i>RMB'000</i>	Total <i>RMB'000</i>	Research and development activities <i>RMB'000</i>	Sales of diagnostic reagent and the provision of related ancillary services <i>RMB'000</i>	Total <i>RMB'000</i>
Turnover	<u>5,000</u>	<u>2,459</u>	<u>7,459</u>	<u>—</u>	<u>2,381</u>	<u>2,381</u>
Segment profit/(loss)	2,235	145	2,380	(912)	73	(839)
Unallocated income			242			17
Unallocated costs			<u>(1,111)</u>			<u>(1,588)</u>
Profit/(loss) before taxation			1,511			(2,410)
Taxation (charge)/credit			<u>(290)</u>			<u>356</u>
Profit/(loss) after taxation			1,221			(2,054)
Minority interests			<u>189</u>			<u>32</u>
Profit/(loss) attributable to shareholders			<u>1,410</u>			<u>(2,022)</u>

	Unaudited Three months ended 30 June, 2002			Unaudited Three months ended 30 June, 2001		
	Sales of diagnostic reagent and the provision of related ancillary services		Total	Sales of diagnostic reagent and the provision of related ancillary services		Total
	Research and development activities RMB'000	Research and development activities RMB'000		Research and development activities RMB'000	Research and development activities RMB'000	
Turnover	<u>7,000</u>	<u>4,290</u>	<u>11,290</u>	<u>—</u>	<u>3,227</u>	<u>3,227</u>
Segment profit/(loss)	2,515	344	2,859	(1,419)	198	(1,221)
Unallocated income			536			1,261
Unallocated costs			<u>(2,327)</u>			<u>(2,331)</u>
Profit/(loss) before taxation			1,068			(2,291)
Taxation (charge)/credit			<u>(184)</u>			<u>338</u>
Profit/(loss) after taxation			884			(1,953)
Minority interests			<u>198</u>			<u>34</u>
Profit/(loss) attributable to shareholders			<u>1,082</u>			<u>(1,919)</u>

Note: There are no sales or other transactions between the business segments. Unallocated income and unallocated costs mainly represented other income received and general and administrative expenses incurred by the Group that are not directly attributable to the principal activities.

The Group derived all of its revenue and profit from customers who are located in the PRC. Hence, no separate geographical analysis of the segment information is presented.

4. Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after crediting and charging the following items:

	Unaudited Three months ended 30 June, 2002		Unaudited Six months ended 30 June, 2001	
	RMB'000	RMB'000	RMB'000	RMB'000
Crediting				
Amortisation of government grants and other non-refundable grants	1,829	685	3,112	1,403
Realised profit on disposal of available-for-sale investments	173	499	446	1,849
Charging				
Amortisation of deferred development costs	139	139	278	278
Amortisation of technical know-how	70	65	141	137
Depreciation of fixed assets	336	259	707	442
Less: amount capitalized in deferred development costs	(35)	(12)	(70)	(25)
	301	247	637	417
Operating lease rentals in respect of land and buildings	95	95	190	198
Research and development expenditure (note)	2,707	1,597	4,792	2,822
Staff costs (note)				
Housing subsidies	130	61	236	120
Retirement benefit costs	171	113	310	180
Social security costs	90	57	158	111
Wages and salaries	1,833	1,213	3,867	1,951
	2,224	1,444	4,571	2,362
Unrealised loss on available -for-sale investments	—	34	55	465
Write-off and provision for bad debts	—	—	7	—

Note: Research and development expenditure mainly represents the salary costs of technical staff involved and the consumables used in the research and development activities which do not satisfy the criteria for capitalisation as an asset. The salary costs of technical staff are also included in the staff costs.

5. Taxation (charge)/credit

	Unaudited Three months ended 30 June,		Unaudited Six months ended 30 June,	
	2002	2001	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current tax	(16)	(883)	(23)	(974)
Deferred tax (charge)/credit	(274)	1,239	(161)	1,312
	<u>(290)</u>	<u>356</u>	<u>(184)</u>	<u>338</u>

The Company is subject to the Income Tax of the PRC and the normal income tax rate applicable is 33%. As the Company is recognised as a New and High Technology Enterprise, it is entitled to a reduced Income Tax rate of 15%. Accordingly, the Company is subject to Income Tax at a rate of 15%.

The subsidiary is subject to the Income Tax Law of the PRC and the income tax rate applicable is 33%. No provision for income tax has been made for the subsidiary for the three months and six months ended 30 June, 2002 respectively and the corresponding periods as it has no taxable income during those periods.

6. Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June, 2002 (2001: Nil).

At the Annual General Meeting held on 23 June, 2002, it was resolved to distribute a dividend in respect of the year ended 31 December, 2001 of RMB0.15 per share, held as at 31 December, 2001, amounting to RMB7,950,000. Such dividend has been reflected as an appropriation of retained earnings in the six months ended 30 June, 2002.

7. Earnings/(loss) per share

The calculation of the earnings/(loss) per share for the three months ended 30 June, 2002 and 30 June, 2001 was based on the unaudited profit/(loss) attributable to shareholders of approximately RMB1,410,000 (2001: loss of RMB2,022,000) and the weighted average of 530,000,000 shares in issue during the three months ended 30 June, 2002 as if the sub-division of the Company's shares as described in note 1 to the accounts had taken place at the beginning of the respective period.

The calculation of the earnings/(loss) per share for the six months ended 30 June, 2002 and 30 June, 2001 was based on the unaudited profit/(loss) attributable to shareholders of approximately RMB1,082,000 (2001: loss of RMB1,919,000) and the weighted average of 530,000,000 shares in issue during the six months ended 30 June, 2002 as if the sub-division of the Company's shares as described in note 1 to the accounts had taken place at the beginning of the respective period.

Diluted earnings/(loss) per share has not been calculated for the three months and six months ended 30 June, 2002 respectively and the corresponding periods as there were no dilutive potential ordinary shares during those periods.

8. Capital expenditure

	Fixed assets	Unaudited Technical know-how	Deferred development costs
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost			
At 1 January, 2002	29,321	2,464	8,260
Additions	12,328	105	1,509
	<hr/>	<hr/>	<hr/>
At 30 June, 2002	41,649	2,569	9,769
	<hr/>	<hr/>	<hr/>
Accumulated amortisation			
At 1 January, 2002	2,146	985	1,390
Charge for the period	707	141	278
	<hr/>	<hr/>	<hr/>
At 30 June, 2002	2,853	1,126	1,668
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June, 2002	38,796	1,443	8,101
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

9. Trade receivables

Details of the aging analysis are as follows:

	Unaudited 30 June, 2002 RMB'000	Audited 31 December, 2001 RMB'000
Current to 30 days	289	1,136
31 days to 60 days	169	—
61 days to 90 days	55	114
Over 90 days but less than one year	1,928	494
Over one year	1,330	1,637
	<hr/>	<hr/>
	3,771	3,381
Provision	(1,164)	(1,157)
	<hr/>	<hr/>
	2,607	2,224
	<hr/> <hr/>	<hr/> <hr/>

Customers are generally granted credit terms of 90 days.

10. Trade payables

Details of the aging analysis are as follows:

	Unaudited 30 June, 2002 RMB'000	Audited 31 December, 2001 <i>RMB'000</i>
Current to 30 days	219	297
31 days to 60 days	46	—
61 days to 90 days	1	—
Over 90 days but less than one year	105	170
Over one year	114	156
	<hr/>	<hr/>
	485	623
	<hr/> <hr/>	<hr/> <hr/>

11. Loans from municipal government authorities

The loans from municipal government authorities are repayable as follows:

	Unaudited 30 June, 2002 RMB'000	Audited 31 December, 2001 <i>RMB'000</i>
Within one year	1,450	1,450
In the second year	400	400
	<hr/>	<hr/>
	1,850	1,850
	<hr/> <hr/>	<hr/> <hr/>

The loans represent government assistance from several PRC municipal government authorities and are unsecured and interest free. All of the loans are repayable on various dates to 31 December, 2003.

12. Related party transactions

Related parties include companies in which the directors of the Company have beneficial interests or parties which are subject to common control or common significant influence in making financial and operating decisions.

The Group had the following significant transactions with related companies during the six months ended 30 June, 2002:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June, 2002		30 June, 2001	
	RMB'000	RMB'000	RMB'000	RMB'000
Rebate to Shanghai Pharmaceutical Co., Ltd. (note 12(a))	600	—	2,100	—
Rental expense paid and payable to Shanghai Zhangjiang Hi-Tech Service Centre Co., Ltd., and Shanghai Zhangjiang Hi-Tech Park Development Corp. (note 12 (b))	<u>49</u>	<u>59</u>	<u>103</u>	<u>118</u>

- (a) On 2 November, 1999, the Company entered into an agreement with a major shareholder, Shanghai Pharmaceutical Co., Ltd. ("SPCL"), and pursuant to the agreement, the Group received non-refundable grants from SPCL amounting to RMB10,000,000 as funding for two separately identifiable projects. As a consideration, 30% of the net outright sales proceeds are rebated to SPCL if these two projects have been sold to customers. On 25 March, 2002, the Company entered into a technology transfer agreement with Shandong Dong-E E-jiao Co. Ltd. for the transfer of one of these two projects, namely r-tPA. 30% of the revenue recognised to date, which also coincides with the cash receipt to date, has been accrued accordingly.
- (b) In the opinion of the directors of the Company, the rental expenses charged by Shanghai Zhangjiang Hi-Tech Service Centre Co., Ltd., a subsidiary of a major shareholders, ZJ Hi-tech Park Co., and Shanghai Zhangjiang Hi-Tech Park Development Corp., the holding company of ZJ Hi-tech Park Co., were incurred in the normal course of business of the Group and were charged at prices and terms comparable with those charged to and contracted with independent third parties.

13. Subsequent event

Subsequent to 30 June, 2002, in connection with the listing of the Company's shares on the GEM of the Stock Exchange on 13 August, 2002, the Company issued a total of 198,000,000 shares of RMB0.10 each at HK\$0.80 per share by way of placing.

By Order of the Board

Wang Hai Bao

Chairman

Hong Kong, 14 August, 2002