



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)*  
(STOCK CODE: 8231)

## **INTERIM RESULTS REPORT**

**For the six months ended 30 June, 2006**

\* *For identification purpose only*

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*This report, for which the directors (the “Directors”) of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the “Company”) 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.*

The Board hereto presents the unaudited consolidated interim results of the Company together with its subsidiaries (collectively the “Group”) for the six months ended 30 June 2006.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial review for the six months ended 30 June 2006**

For the six months ended 30 June 2006, the Group recorded a turnover of approximately RMB7,504,000, the comparative figure for 2005 being RMB6,460,000.

Of the total turnover of the Group for the first half year of 2006, RMB5,191,000 (or 69% of total turnover) was derived from the sale of medical diagnostic products and the provision of relevant auxiliary services, and RMB2,313,000 (or 31% of total turnover) came from the income of technology transfer and technical service. In contrast, of the total turnover of the same period last year, RMB5,246,000 (or 81% of total turnover) was derived from the sale of diagnostic products, and RMB1,214,000 (or 19% of total turnover) came from the income of technology transfer.

The Group’s total turnover for the first half of 2006 has increased by 16% from the same period last year, of which, revenue from the sale of diagnostic products roughly remained the same level with that of last year. The major reason that contributed to the improvement of the turnover was technology transfer and provision of technical services, the income of which increased by 91% comparing to that of last year. Within the period under review, the Company and its subsidiary Shanghai Badian Pharmaceutical Co., Ltd. (“Badian”) have recognized technology transfer income of RMB2,000,000 and RMB200,000, respectively, upon the completion of transfer tasks by stage for two projects. Also, revenue of RMB113,000 came from the provision of technical services to the external.

For the six months ended 30 June 2006, cost of sales of the Group was approximately RMB5,064,000, whereas the comparative figure for the same period in 2005 was RMB5,689,000. As a result of the increased turnover and reduced cost of sales, gross profit margin has been significantly improved by 174% from last year.

Within the period under review, operating loss of the Group was approximately RMB10,250,000, compared to RMB10,773,000 for that of last year. The major reason for the rising operating loss was an increase of 24% of research and development (“R&D”) costs than last corresponding period. In addition, based on a cautious consideration, the management has not provided for any deferred taxation during the period under review, whilst the deferred tax provided for the corresponding period last year was RMB1,109,000.

The Group recorded a loss attributable to shareholders of approximately RMB10,552,000 for the six months ended 30 June 2006, whereas the loss attributable to shareholders for the same period last year was RMB9,779,000.

## **BUSINESS REVIEW**

Committed to the principle “The more we explore, the healthier human beings will be”, the Group aims to become a pioneer in the bio-pharmaceutical industry, by focusing on the R&D of genetic engineering, new drug screening, and commercialization of patent drugs and special drugs that suit the PRC market.

During the period under review, ideal progresses have been made in the areas of R&D, technological transfer and commercialization.

Applications have been made to the State Food and Drugs Administration of the PRC (“SFDA”) for the approval of clinical study of Vincristine liposome (長春新鹼脂質體), which is a new drug for the treatment of Tumors. Clinical study of Aminolevulinic Acid Hydrochloride (ALA) (鹽酸氨酮戊酸) for the treatment of condyloma acuminata (尖銳濕疣) has been completed, with the application made to the SFDA for New Drug Certificate. Clinical study on Duxorubicon liposome (鹽酸多柔比星脂質體) for the treatment of tumors has been completed, and application for Production Permit will be made. Application for Production Permit has been made of Amphotericin-B liposome (兩性黴素B脂質體), which is a drug for the treatment of Mycotic infection (真菌感染).

In respect of technology transfer, the Group is actively exploring the overseas market. The Group has strategically transferred the mainland and overseas rights of the R&D projects which are not listed in the self-commercialization plan to different companies, so that it could obtain the maximum benefits from those projects.

With regard to patents, the Group has always been endeavoring in protecting the intellectual property rights of its innovative drugs and other R&D achievements. Within this reviewing period, the Group has applied for 4 new invention patents, and has been granted 2 invention patents.

In the area of commercialization, the Group is making effort to market expansion for the system of medical diagnostic products. In order to go in line with the production of Aminolevulinic Acid Hydrochloride (ALA) (鹽酸氨酮戊酸) and Duxorubicon liposome (鹽酸多柔比星脂質體) next year, the Group has completed the reconstruction of the corresponding production site.

During the period under review, Chairman Wang Haibo was awarded the candidature of 2005 Pudong New Area Innovative Pioneer. Aminolevulinic Acid Hydrochloride (ALA) (鹽酸氨酮戊酸) for exterior usage of the Group was selected as the 2006 Zhangjiang Hi-Tech Park Self-innovative New Products. The Group was ranked Class A\* appraised by Shanghai Hi-tech Enterprises' Credit Rating.

### **Future prospects**

Over the past years, the Group has accumulated extensive experiences in R&D, and has taken a leading position in the pharmaceutical industry in the PRC. In the future, the Group will devote efforts to R&D on projects with proprietary intellectual property rights. In particular, drugs for the treatment of dermal diseases and tumors will be of the most importance.

In respect of commercialization, the Group has built up production and sales of diagnostic reagents and Down's Syndrome antenatal screening system. Plus dermal disease drugs and tumor treatment drugs which will be approved for production next year, the Group will soonly accomplish the transformation from pure a R&D type to a combination of R&D and commercialization. The Group has started establishing its marketing system, in order to improve the entire function of Group containing R&D, production and marketing, enabling the Company to progress to a better development stage.

### **DIVIDENDS**

the Board did not recommend the payment of an interim dividend for the six months ended 30 June, 2006 (2005: Nil).

### **CHARGE ON ASSETS**

On March 10 and June 23, 2006, the Group put its real estate property in pledge to obtain an interest-free loan granted by "Technology and Education Promoting Shanghai" project, and a full-interest-subsidy loan given by Pudong "Wise-eye project" respectively. The mortgaging period depends on the time to redemption of the loans.

## **BANKING FACILITIES**

Aided by the “Technology and Education Promoting Shanghai” project, the Group took a loan of RMB11,000,000 for a period of five years on April 12, 2006. The loan is interest-free for the first three years. Interest has to be paid for the fourth and fifth years.

Assisted by the Pudong “Wise-eye project”, the Group took a bank loan of RMB20,000,000 on July 12, 2006 for a period of three years. Full amount of the interest of the loan is subsidized by the Pudong New Area government.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operating and investing activities with internally generated financial resources, proceeds from the placing of shares in August 2002 by the Company and loans and research grants from municipal government authorities. As at 30 June 2006, the Group had an outstanding interest-free loan from municipal government of RMB12,650,000, of which RMB1,650,000 is unsecured.

As at 30 June 2006, the Group had a bank deposit, net cash and cash equivalent balance of approximately RMB 38,536,000.

The Group’s gearing ratio at 30 June 2006 was 0.16 (31 December, 2005: 0.16) which is calculated based on the Group’s total liabilities of RMB17,927,000 (31 December, 2005: RMB19,178,000) and shareholders’ funds of RMB110,011,000 (31 December, 2005: RMB120,564,000).

The Group adopts a conservative treasury policy 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 liquidity and financing arrangements are reviewed regularly.

## **EMPLOYEES**

As at 30 June 2006, the Group had a total of 144 employees, comparing with 133 employees as at 30 June 2005. Staff costs including directors’ remuneration for the six months ended 30 June 2006 and 2005 were RMB6,659,000 and RMB6,332,000 respectively. Salaries and benefits of employees of the Group are kept at a competitive level and employees are rewarded on a performance related basis with general framework of the Group’s salary and bonus system which is reviewed annually. A wide range of benefits, including statutory social welfare plans, are also provided to employees.

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

As at 30 June 2006, the interests (including interests in shares and / or short positions) 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, (a) as notified to the Company and the Stock Exchange pursuant to: Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO"); (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Name of Directors	Class of shares	Number of Domestic shares held	Capacity	Type of interest	Percentage holding in Domestic shares	Percentage of holding in total share capital
Wang Hai Bo	Domestic Shares	51,886,430 (L)	Beneficial owner	Personal	10.13%	7.31%
Su Yong	Domestic Shares	18,312,860 (L)	Beneficial owner	Personal	3.58%	2.58%
Zhao Da Jun	Domestic Shares	15,260,710 (L)	Beneficial owner	Personal	2.98%	2.15%
Fang Jing	Domestic Shares	5,654,600 (L)	Beneficial owner	Personal	1.10%	0.80%

*Note:* The letter "L" stands for long position.

## SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2006, the persons other than a director, chief executive or supervisor of the Company who have interests and / or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the SFO are listed as follows (the interests in shares and short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, Chief Executive and Supervisors):

Name of substantial shareholders	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in the respective class of share capital	Percentage in total share capital
Shanghai Pharmaceutical (Group) Corporation	Domestic Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	27.26%	19.66%
Shanghai Pharmaceutical Co., Ltd.	Domestic Shares	139,578,560 (L)	Beneficial Owner	Corporate	27.26%	19.66%
China General Technology (Group) Holding, Limited	Domestic Shares	130,977,816 (L)	Beneficial Owner	Corporate	25.58%	18.45%
Shanghai Zhangjiang (Group) Co. Ltd.	Domestic Shares	105,915,096 (L)	Interest of controlled corporation	Corporate	20.69%	14.92%
Shanghai Zhangjiang Hi-Tech Park Development Corp.	Domestic Shares	105,915,096 (L)	Beneficial Owner	Corporate	20.69%	14.92%
Fudan University	Domestic Shares	30,636,288 (L)	Beneficial Owner	Corporate	5.98%	4.31%
Shanghai Industrial Investment (Holdings) Co., Ltd.	H Shares	70,564,000 (L)	Interest of controlled corporation	Corporate	35.64%	9.94%
S.I. Pharmaceutical Holdings Ltd.	H Shares	65,856,000 (L)	Beneficial Owner	Corporate	33.26%	9.28%
SIIC Medical Science and Technology (Group) Limited	H Shares	4,708,000 (L)	Beneficial Owner	Corporate	2.38%	0.66%



## COMPETING INTERESTS

Save as disclosed in the following table, none of the Directors, or the management shareholders of the Company, nor their respective associates had any interest in a business which competes or may compete with the business of the Group.

*Shanghai Pharmaceutical Co., Ltd.*

<b>Investee company</b>	<b>Nature of business</b>	<b>Shareholding interests</b>
Shanghai Tongyong Pharmaceutical Co., Ltd. (上海通用藥業股份有限公司)	Drug manufacturing	40%
Ningbo Asia-Pacific Bio-technology Co., Ltd. (寧波亞太生物技術有限公司)	Drug manufacturing	89%
Shanghai Hefeng Pharmaceutical Co., Ltd. (上海禾豐製藥有限公司)	Drug manufacturing	50%
Shanghai Fuda Pharmaceutical Co., Ltd. (上海福達製藥有限公司)	Drug manufacturing	70%
Shanghai Huashi Pharmaceutical Co., Ltd. (上海華氏製藥有限公司)	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)	R&D of drugs	100%

*China General Technology (Group) Holding, Ltd.*

<b>Investee company</b>	<b>Nature of business</b>	<b>Shareholding interests</b>
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)	Drug manufacturing	80.55%

*Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.*

<b>Investee company</b>	<b>Nature of business</b>	<b>Shareholding interests</b>
Meilian Biotechnology Company (美聯生物技術公司)	R&D of genetic pattern	49.47%

## **SECURITIES TRANSACTIONS BY DIRECTORS**

During the six months ended 30 June 2006, the Company had adopted a code of conduct for directors' securities transactions on terms no less exacting than the required standard of dealings stipulated in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the Directors of the Company have been complying with the required standard of dealings and the code of conduct for directors' securities transactions during the six months ended 30 June 2006.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2006.

## **AUDIT COMMITTEE**

The audit committee comprises three independent non-executive Directors of the Company, namely Mr. Pan Fei, who is the chairman, Mr. Weng De Zhang, who is the vice chairman, and Mr. Cheng Lin. Mr. Pan Fei holds a recognized professional qualification as prescribed by the GEM Listing Rules.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the management team of the Company. The audit committee reviewed the interim report for the six months ended 30 June 2006 before proposing to the Board for approval.

## **CORPORATE GOVERNANCE**

The Board of Directors has reviewed the documents relating to corporate governance policies adopted by the Company and considered that it had complied with most of the principles and codes set out in the Code on Corporate Governance Practices (the "Code") under the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited. On some aspects, the Company has adopted a code on corporate governance no less exacting than the provisions set out in the Code. The areas that adopted by the Company being stricter than the Code or deviated from the Code are as follows:

The main provision which is stricter than the Code:

- All members of the Audit Committee are independent non-executive directors.

The areas which are deviated from the Code:

- Though the roles of Chairman and General Manager are separate, the two positions are still taken by one person. Considering that the scope of the Company is relatively small, with its business mainly in the research, production and sales of innovative drugs, and that it has not completely stepped out of the venture period for the time being, also for the sake of management efficiency, the Board holds the point that the Chairman and the General Manager taken by one person is beneficial for the Company's development at the present stage. Along with the development of the Company, the Board will consider the segregation of Chairman and the General Manager.

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	Note	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Turnover	2	4,402	2,041	7,504	6,460
Cost of sales		<u>(2,149)</u>	<u>(1,831)</u>	<u>(5,064)</u>	<u>(5,689)</u>
<b>Gross profit</b>		<b>2,253</b>	210	<b>2,440</b>	771
Other income		1,258	1,293	1,918	2,440
Research and development costs		(4,515)	(3,285)	(9,696)	(7,851)
Distribution costs		(817)	(1,408)	(2,022)	(2,490)
Administrative expenses		(938)	(1,921)	(2,404)	(3,490)
Other operating expenses		<u>(225)</u>	<u>(122)</u>	<u>(486)</u>	<u>(153)</u>
<b>Operating loss</b>		<b>(2,984)</b>	(5,233)	<b>(10,250)</b>	(10,773)
Share of results of an associate		<u>(258)</u>	<u>(569)</u>	<u>(679)</u>	<u>(798)</u>
<b>Loss before income tax</b>		<b>(3,242)</b>	(5,802)	<b>(10,929)</b>	(11,571)
Income tax (expenses) / credit	3	<u>(5)</u>	<u>530</u>	<u>(5)</u>	<u>1,109</u>
<b>Loss for the period</b>		<b><u>(3,247)</u></b>	<b><u>(5,272)</u></b>	<b><u>(10,934)</u></b>	<b><u>(10,462)</u></b>
<b>Attributable to:</b>					
Shareholders of the Company		(3,078)	(4,829)	(10,552)	(9,779)
Minority interests		<u>(169)</u>	<u>(443)</u>	<u>(382)</u>	<u>(683)</u>
		<b><u>(3,247)</u></b>	<b><u>(5,272)</u></b>	<b><u>(10,934)</u></b>	<b><u>(10,462)</u></b>
<b>Basic loss per share for loss attributable to the shareholders of the Company (RMB)</b>	4	<b><u>(0.0043)</u></b>	<b><u>(0.0068)</u></b>	<b><u>(0.0149)</u></b>	<b><u>(0.0138)</u></b>

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		Unaudited 30 June 2006 RMB'000	Audited 31 December 2005 RMB'000
	<i>Note</i>		
<b>Non-current assets</b>			
Leasehold land payments	8	9,261	8,864
Property, plant and equipment	8	54,126	51,565
Technical know-how	8	3,037	3,794
Deferred development costs	8	7,554	8,713
Investment in an associate		—	55
Deferred income tax assets		7,786	7,786
		<b>81,764</b>	80,777
<b>Current assets</b>			
Inventories		2,278	1,963
Trade receivables	9	3,631	1,158
Other receivables, deposits and prepayments		2,910	1,285
Amounts due from related companies		1,000	1,000
Amount due from a shareholder		250	250
Available-for-sale investments		351	475
Term deposits in bank with maturities of three to twelve months		15,000	6,242
Cash and cash equivalents		23,536	49,755
		<b>48,956</b>	62,128
<b>Current liabilities</b>			
Trade payables	10	586	2,144
Other payables and accruals		1,637	12,090
Deferred revenue		2,054	2,294
Loans from municipal government authorities	11	12,650	1,650
Amount due to a shareholder		1,000	1,000
		<b>17,927</b>	19,178
<b>Net current assets</b>		<b>31,029</b>	42,950
<b>Total assets less current liabilities</b>		<b>112,793</b>	123,727
<b>Capital and reserves attributable to shareholders of the Company</b>			
Share capital		71,000	71,000
Reserves		39,012	49,564
		<b>110,012</b>	120,564
<b>Minority interests</b>		<b>2,781</b>	3,163
		<b>112,793</b>	123,727

## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	<b>Unaudited Six months ended 30 June 2006 RMB'000</b>	Unaudited Six months ended 30 June 2005 RMB'000
Net cash used in operation activities	(16,223)	(12,535)
Net cash (used in) / received from investing activities ( <i>Note</i> )	(20,996)	2,609
Net cash received from financing activities	<u>11,000</u>	<u>—</u>
Decrease in cash and cash equivalents	<u>(26,219)</u>	<u>(9,926)</u>
<b>Movement in cash and cash equivalents</b>		
At the beginning of the period	49,755	64,924
Decrease	<u>(26,219)</u>	<u>(9,926)</u>
At the end of the period	<u>23,536</u>	<u>54,998</u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	21,986	54,514
Deposits in other financial institutions	<u>1,550</u>	<u>484</u>
	<u>23,536</u>	<u>54,998</u>

*Note:* Net cash used in investing activities includes cash of RMB5,150,000 paid for the leasehold land payments and the purchase of property, plant and equipment by the Group within the period under review, repayment of amount payable of RMB7,557,000 for plant and equipment, and increase of term deposits in bank with maturities of three to twelve months of RMB8,758,000 as at 31 December 2005.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Capital accumulation reserve	Statutory common reserve fund	Unaudited Statutory common welfare fund	Accumulated losses	Minority interests	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at							
1 January 2005	71,000	115,014	1,709	1,120	(39,194)	4,434	154,083
Loss for the period	—	—	—	—	(9,779)	(683)	(10,462)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance at							
30 June 2005	<u>71,000</u>	<u>115,014</u>	<u>1,709</u>	<u>1,120</u>	<u>(48,973)</u>	<u>3,751</u>	<u>143,621</u>
Balance at							
1 January 2006	71,000	115,014	1,709	1,120	(68,279)	3,163	123,727
Loss for the period	—	—	—	—	(10,552)	(382)	(10,934)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance at							
30 June 2006	<u>71,000</u>	<u>115,014</u>	<u>1,709</u>	<u>1,120</u>	<u>(78,831)</u>	<u>2,781</u>	<u>112,793</u>

## **SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

### **1. Background**

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the "Company") was established in the People's Republic of China ("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 ("H shares") of RMB0.10 each on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including 18,000,000 H Shares converted from Domestic Shares. Therefore, the registered capital of the Company was increased to RMB71,000,000.

As of the date of this report, the Company has direct interests of 68.75% and 65% in two subsidiaries, Shanghai Morgan-Tan International Center for Life Sciences, Co., Ltd. ("Morgan-Tan") and Shanghai Ba Dian Medicine Co., Ltd. ("Ba Dian"), respectively.

The Company and its subsidiaries (the "Group") are principally engaged in research, development and selling of self-developed bio-pharmaceutical know-how, carrying out contracted research for customers, manufacturing and selling of diagnostic reagent and the provision of related ancillary services in the PRC.

### **2. Accounting policies and basis of preparation**

The unaudited interim financial report has been prepared in accordance with IAS 34. The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005, as described in the annual financial statements for the year ended 31 December 2005.



The unaudited results include the results of the Company and its subsidiaries. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. 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 unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

### 3. Turnover and segmental information

An analysis of the Group's turnover and contribution to operating loss by principal activities is as follows:

	Unaudited three months ended 30 June 2006			Unaudited three months ended 30 June 2005		
	Sales of diagnostic products and the Research and development activities RMB'000		provision of related ancillary services Total RMB'000	Sales of diagnostic products and the provision of related ancillary services Total RMB'000		
				Research and development activities RMB'000		
Turnover	<u>2,148</u>	<u>2,254</u>	<u>4,402</u>	<u>14</u>	<u>2,027</u>	<u>2,041</u>
Segment loss	(2,434)	(645)	(3,079)	(3,271)	(1,212)	(4,483)
Unallocated income			1,258			1,294
Unallocated loss			(1,421)			(2,612)
Loss before taxation			(3,242)			(5,802)
Taxation credit			(5)			530
Loss for the period			<u>(3,247)</u>			<u>(5,272)</u>

	Unaudited six months ended 30 June 2006			Unaudited six months ended 30 June 2005		
	Research and development activities <i>RMB'000</i>	Sales of diagnostic products 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 products and the provision of related ancillary services <i>RMB'000</i>	Total <i>RMB'000</i>
Turnover	<u>2,313</u>	<u>5,191</u>	<u>7,504</u>	<u>1,214</u>	<u>5,246</u>	<u>6,460</u>
Segment loss	(7,605)	(1,673)	(9,278)	(7,173)	(2,397)	(9,570)
Unallocated income			1,918			2,441
Unallocated loss			(3,569)			(4,441)
Loss before taxation			(10,929)			(11,571)
Taxation credit			(5)			1,109
Loss for the period			<u>(10,934)</u>			<u>(10,462)</u>

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

The Group derives 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. Operating loss

Operating loss is arrived at after (crediting) / charging the following items:

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Amortisation of government grants and other non-refundable grants	(340)	(1,103)	(1,030)	(2,015)
Amortisation of leasehold land payments	26	26	53	53
Amortisation of deferred development costs	580	455	1,159	909
Amortisation of technical know-how	379	749	757	1,497
Depreciation of property, plant and equipment	921	1,079	2,059	2,104
Research and development costs (note)	4,515	3,285	9,696	7,851
Staff costs (note)				
Housing subsidy	526	492	1,017	966
Retirement benefit costs	340	343	647	645
Social security costs	216	194	423	366
Wages and salaries	2,381	1,939	4,572	4,355
	<u>3,463</u>	<u>2,968</u>	<u>6,659</u>	<u>6,332</u>

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. Income tax (expenses) / credit

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2006	2005	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Income tax (expenses)/credit	<u>(5)</u>	<u>530</u>	<u>(5)</u>	<u>1,109</u>

The Company and its subsidiaries are subject to the Income Tax Law of the PRC and the normal income tax rate applicable is 33%. As the Company is recognized as a New and High Technology Enterprise, and is operating and registered in the State Level New and High Technology Development Zone, it is entitled to a reduced Income Tax rate of 15%. As the subsidiaries are recognized as domestic companies registered in Shanghai Pudong New Area, they are also entitled to the reduced Income Tax rate of 15%. Accordingly, the Company and its subsidiaries are subject to Income Tax at a rate of 15%.

## 6. Dividends

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

## 7. Loss per share

The calculation of the loss per share for the three months ended 30 June 2006 and 30 June 2005 were based on the unaudited loss attributable to shareholders of the Company of approximately RMB3,078,000 (three months ended 30 June 2005: loss attributable to shareholders of the Company of approximately RMB4,829,000) and total shares in issue of 710,000,000 shares (three months ended 30 June 2005: 710,000,000 shares) during the three months ended 30 June 2006.

The calculation of the loss per share for the six months ended 30 June 2006 and 30 June 2005 were based on the unaudited loss attributable to shareholders of the Company of approximately RMB10,552,000 (six months ended 30 June 2005: loss attributable to shareholders of the Company of approximately RMB9,779,000) and total shares in issue of 710,000,000 shares (six months ended 30 June 2005: 710,000,000 shares) during the six months ended 30 June 2006.

Diluted loss per share have not been calculated for the three months and six months ended 30 June 2006 and 2005 respectively as there were no dilutive potential ordinary shares during those periods.

## 8. Capital expenditure

	<b>Leasehold land payments</b> <i>RMB'000</i>	<b>Property, plant and equipment</b> <i>RMB'000</i>	<b>Technical Know-how</b> <i>RMB'000</i>	<b>Deferred development costs</b> <i>RMB'000</i>
<b>Cost</b>				
At 1 January 2006	9,239	65,910	8,942	14,365
Additions	450	4,700	—	—
Disposals	—	(129)	—	—
	<u>9,689</u>	<u>70,481</u>	<u>8,942</u>	<u>14,365</u>
At 30 June 2006	9,689	70,481	8,942	14,365
<b>Accumulated depreciation and amortisation</b>				
At 1 January 2006	375	14,345	5,148	5,652
Charge for the period	53	2,059	757	1,159
Disposals	—	(49)	—	—
	<u>428</u>	<u>16,355</u>	<u>5,905</u>	<u>6,811</u>
At 30 June 2006	428	16,355	5,905	6,811
<b>Net book value</b>				
At 30 June 2006	<u>9,261</u>	<u>54,126</u>	<u>3,037</u>	<u>7,554</u>
At 1 January 2006	<u>8,864</u>	<u>51,565</u>	<u>3,794</u>	<u>8,713</u>

## 9. Trade receivables

Details of the aging analysis are as follows:

	<b>Unaudited 30 June 2006</b> <i>RMB'000</i>	Audited 31 December 2005 <i>RMB'000</i>
Current to 30 days	<b>2,619</b>	43
31 days to 60 days	<b>231</b>	506
61 days to 90 days	<b>303</b>	384
Over 90 days but less than one year	<b>676</b>	236
Over one year	<b>1,472</b>	2,905
	<u>5,301</u>	<u>4,074</u>
Provision	<b>(1,670)</b>	(2,916)
	<u>3,631</u>	<u>1,158</u>

Customers are generally granted credit terms of 90 days

## 10. Trade payables

Details of the aging analysis are as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2006</b>	2005
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current to 30 days	73	1,867
31 days to 60 days	35	64
61 days to 90 days	—	3
Over 90 days but less than one year	340	1
Over one year	138	209
	<u>586</u>	<u>2,144</u>

## 11. Loans from municipal government authorities

The loans from municipal government authorities are repayable as follows:

	<b>Unaudited</b>	Unaudited
	<b>30 June</b>	31 December
	<b>2006</b>	2005
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within one year	1,650	1,650
Within five years	11,000	—
	<u>12,650</u>	<u>1,650</u>

## 12. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operation decisions.

The Group had no significant related party transactions during the six-month period ended 30 June 2006(2005: Nil).

By Order of the Board  
**Wang HaiBo**  
*Chairman*

As at the date thereof, the Board comprises:

Mr. Wang Hai Bo (*Executive Director*)

Mr. Su Yong (*Executive Director*)

Mr. Zhao Da Jun (*Executive Director*)

Mr. Jiang Guo Xing (*Non-executive Director*)

Ms. Fang Jing (*Non-executive Director*)

Mr. Zhou Jie (*Non-executive Director*)

Mr. Guo Jun Yi (*Non-executive Director*)

Mr. Zhou Mai (*Non-executive Director*)

Mr. Cheng Lin (*Independent non-executive Director*)

Mr. Pan Fei (*Independent non-executive Director*)

Mr. Weng De Zhang (*Independent non-executive Director*)

Shanghai, the PRC

9 August, 2006