



中生北控生物科技股份有限公司

BIOSINO BIO-TECHNOLOGY AND SCIENCE INCORPORATION*

(Registered in the People's Republic of China with limited liability)

Stock Code: 8247

QUALITY PRODUCTS CREATE HEALTHY LIFE



INTERIM REPORT 2006

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (the “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed companies.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Biosino Bio-Technology and Science Incorporation (the “Company”) collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company. 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.

Contents

Corporate Information	2
Corporate Profile	3
Corporate Structure	4
Management Discussion and Analysis	5
Condensed Consolidated Profit And Loss Account	11
Condensed Consolidated Balance Sheet	12
Condensed Consolidated Statement of Changes in Equity	14
Condensed Consolidated Cash Flow Statement	15
Condensed Notes to the Financial Statements	16
Discloseable Information	25

Corporate Information

REGISTERED OFFICE IN THE PRC

No. 27 Chaoqian Road
Science and Technology Industrial Park
Changping District
Beijing
PRC

Tel: (8610) 8011 7700
Fax: (8610) 8011 7062

HONG KONG OFFICE

Room 4301, 43rd Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Tel: (852) 2915 2898
Fax: (852) 2857 5084

WEBSITE

<http://www.zhongsheng.com.cn>
<http://baiao.com.cn>

INFORMATION OF SHARE

Place of listing: The Growth Enterprise
Market of The Stock
Exchange of Hong Kong
Limited
Stock code: 8247
Stock short name: Biosino Bio-Tec

BOARD OF DIRECTORS

*Chairman of the Board and
Non-executive Director*
Dr. Rao Zihe

Executive Directors
Mr. Wu Lebin
Mr. Zhu Yigui

Non-executive Directors
Mr. Zhang Yong
Dr. He Rongqiao
Ms. Li Chang
Mr. Rong Yang
Mr. Wang Fu Gen
Ms. Yu Xiaomin

Independent Non-executive Directors
Prof. Yang Zhenhua
Dr. Hua Sheng
Mr. Chan Yiu Kwong

SUPERVISORS

Dr. Yan Xiyun
Mr. Wang Xin
Mr. Shao Yimin

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric CPA, CPA (U.S)

QUALIFIED ACCOUNTANT

Mr. Chan King Fai CPA

AUTHORISED REPRESENTATIVES

Mr. Wu Lebin
Mr. Tung Woon Cheung Eric

COMPLIANCE OFFICER

Mr. Wu Lebin

AUDITORS

Ernst & Young

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of Beijing
Industrial and Commercial Bank of China
Bank of China (Hong Kong) Limited

INVESTOR AND RELATIONS CONSULTANT

Porda International (Finance) PR Co., Ltd
7/F., CMA Building
No. 64 Connaught Road Central
Hong Kong
Tel: (852) 2544-6388
Fax: (852) 2544-6126

Corporate Profile

Biosino Bio-Technology and Science Incorporation (the “Company”) is a joint stock limited company incorporated in the People’s Republic of China (the “PRC”). The registered office of the company is located at No. 27, Chaoqian Road, Science and Technology Industrial Park, Changping District, Beijing, the PRC. H shares of the Company have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 27 February 2006.

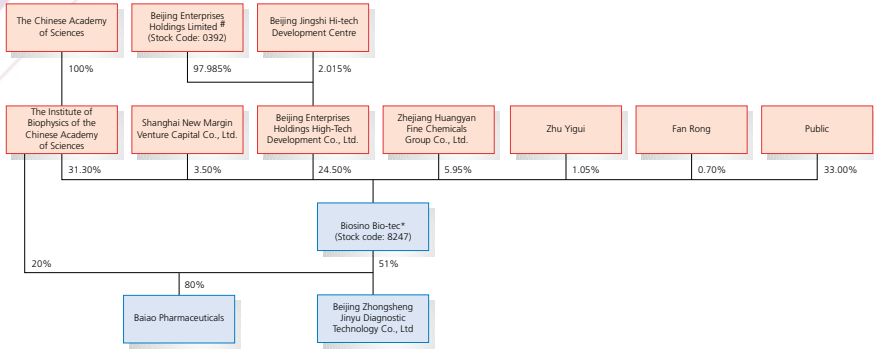
The company and its subsidiaries (collectively referred to as the “Group”) are engaged principally in the manufacture, sale and distribution of in-vitro diagnostic reagents and pharmaceutical products. The Company is an excellent biotechnology company that engages principally in the research, manufacture and marketing of in-vitro diagnostic reagents which are designed to aid health care professionals in detecting various diseases in a precise manner. Moreover, Beijing Baiao Pharmaceuticals Co., Ltd. (“Baiao Pharmaceuticals”), a subsidiary of the Company, manufactures Lumbrokinase capsule, a Class II prescription drug which is used to treat cardio cerebrovascular diseases. These two kinds of products laid the solid business foundations of the Group in the medical industry in China.

With up to 600 distributors, the Group has established an extensive sales network covering over 30 provinces and cities in the PRC. The products of the Group have successfully penetrated every niche of China’s hospital market and are well received at domestic hospitals. The Company ranked No. 1 in the conventional chemistry reagent market in China, with a market share of 18%. Lumbrokinase capsule is included in the National Catalog of Basic Medical Insurance Drugs (國家基本醫療保險藥品目錄) and Reimbursable Public Medical Drugs and Labour Insurance Catalogue in Beijing Municipality (北京市公費醫療、勞保醫療用藥報銷範圍), showing that the Group’s products are highly recognized in the market.

In addition, a number of management members of the Company are formerly or incumbent professors in universities or holding doctorate degrees. Not a few of our managers had work experience in the Institute of Biophysics, an organisation directly under the Chinese Academy of Sciences. The solid scientific research background of our management, while providing the research work of Biosino Bio-Tec with firm foundations, is also advantageous to the long-term business development of the Group.

Company Structure

As at 30 June 2006



* Listed on the Growth Enterprise Market of Hong Kong Stock Exchange

Listed on the Main Board of Hong Kong Stock Exchange

Management Discussion and Analysis

BUSINESS REVIEW OF THE FIRST HALF OF 2006

The Group has all along been actively improving the quality of its corporate management. With maximizing shareholders' interests as its goal, the Group endeavours to expand its sales network, enhance its technological research capabilities and consolidate its business base. The listing of the Company's H shares on the GEM of the Stock Exchange on 27 February 2006 provides the funding required for the Group's future development. It has also demonstrated the Company's determination to develop and expand its business.

The business environment of the pharmaceutical industry has undergone drastic changes since the state has implemented new policies to neaten up the industry in the second half of last year. Although the Group has not involved in breaching activities, its results were inevitably affected by the turbulent market conditions. In order to sustain its business growth, the Group has taken corresponding measures including strengthening the sales team, readjustment of marketing strategies and continue to enhance its existing products as well as to promote new products.

FINANCIAL REVIEW OF THE FIRST HALF OF 2006

The consolidated turnover of the Group for the six months ended 30 June 2006 was approximately RMB68.17 million, representing an increase of 3.0% over the comparable period last year of approximately RMB66.17 million. Turnover from in-vitro diagnostic reagent segment increased by 10.8% from approximately RMB39.4 million in the corresponding period last year to approximately RMB43.65 million (or 64.0% of the Group's total turnover). Under the turbulent market conditions, pharmaceutical product segment contributed turnover of approximately RMB24.52 million (or 36.0% of the Group's total turnover) for the first half of 2006, representing a decrease of 8.4% over the comparable period last year.

Profit attributable to shareholders of the Company for the first half of 2006 was approximately RMB8.68 million, representing a decrease of 38.8% over the comparable period last year. This is mainly due to the volatility of the industry that affected the business of the Group, and the commencement in production of new factories which precipitated a drastic increase in depreciation charges.

Management Discussion and Analysis (Continued)

PROSPECT AND FUTURE OUTLOOK

Looking forward, the Group remains optimistic about the future of the pharmaceutical industry in the PRC. We believe there will be a wider use of clinical diagnostic as the state increases its involvement in medical and hygienic industry. The improvement in living standards and the public awareness on personal hygiene and health also contributes for further expansion in diagnostic business. The growing demand for diagnostic and pharmaceutical products brings tremendous business opportunities to the medical and pharmaceutical industry and generates more revenue to the Group. In addition, the China diagnostic reagent and pharmaceutical industry has entered a high segregation, adjustment and reorganization stage, which will benefit the Group by fostering and enhancing its market position in the industry.

In future, based on the Group's market strength and the use of proceeds from listing, the group is target to launch new products, increase the product market share and expand the international market. The Group endeavours to become a leading entrepreneur in both research and development and production of in-vitro diagnostic reagents and biochemical products so as to maximize our shareholders' interests.

OTHER ISSUE

On 8 May 2006, a winding up petition was served against the Company by Lily Fenn & Partners (the former Legal adviser to the sponsors of the listing of the Company on the GEM of the Stock Exchange) at the High Court of Hong Kong. Subsequent to the balance sheet date, the High Court has issued an order permitting Lily Fenn & Partners to withdraw the petition and ended the matter.

Management Discussion and Analysis (Continued)

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business objectives as set out in the prospectus of the Company with actual business progress for the six months ended 30 June 2006.

Business Objectives

Actual Business Progress

Expanding research and development effort in product development:

- | | |
|---|--|
| <ul style="list-style-type: none"> - Complete formula enhancement of Creatine Kinase Isoenzyme MB control serum | <ul style="list-style-type: none"> - The formula enhancement of Creatine Kinase Isoenzyme MB control serum has been completed |
| <ul style="list-style-type: none"> - Complete research and development of fecal occult blood rapid testing card and Adenosine Deaminase liquid double reagent kit, and file registration applications to the State Food and Drug Administration of the PRC ("SFDA") | <ul style="list-style-type: none"> - The research and development of fecal occult blood rapid testing card has been completed, and will soon file a registration application to SFDA - The registration procedures of Adenosine Deaminase liquid double reagent kit has been completed |
| <ul style="list-style-type: none"> - Commence studies and research planning of (i) Beta 2-microglobulin diagnostic reagent for the diagnosis of kidney conditions, urethra infections, tumour and immune disease (ii) C-Reaction protein (CRP) rapid testing card for the diagnosis of cardiac related disease; (iii) Angiotensin converting enzyme (ACE) kit for the diagnosis of chronic fatigue and immune dysfunction syndrome and urethra infectors; and (iv) Lipase diagnostic reagent for the diagnosis of acute pancreatitis | <ul style="list-style-type: none"> - The research and development of β2-microglobulin diagnostic reagent and Angiotensin converting enzyme (ACE) has been completed - The preliminary research and development of CRP rapid testing card and Lipase diagnostic reagent has been initiated |
| <ul style="list-style-type: none"> - Complete formula enhancement for γ-Glutamyltransferase (γ-GT) and Alkaline phosphatase (ALP) liquid in-vitro diagnostic reagents | <ul style="list-style-type: none"> - The enhancement of γ-GT and Alkaline phosphatase (ALP) liquid in-vitro diagnostic reagent has been completed |
| <ul style="list-style-type: none"> - Continue the pre-clinical research of Lumbrokinase injection for cerebral vascular diseases, Aprotinin injection for extracorporeal circulation cardiac operation under direct vision and other operations and Pancreatic Kininogenase capsule | <ul style="list-style-type: none"> - The pre-clinical research of Pancreatic Kininogenase capsule have been completed and is now in the clinical testing stage - The conduction of pre-clinical pharmacology research of Lumbrokinase injection and Aprotinin injection is still in progress |

Management Discussion and Analysis (Continued)

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS (CONTINUED)

Business Objectives

Actual Business Progress

Expanding research and development effort in product development (Continued):

- | | |
|---|--|
| <ul style="list-style-type: none"> - Commence clinical experiment for Alprostadil injection and Lumbrokinase injection | <ul style="list-style-type: none"> - The conduction of pre-clinical research of Alprostadil injection is still in progress, and is expected to enter clinical testing stage in the second half of 2006 - Due to the change in market conditions, the Group believes current market responses for, and the potential market of, Pancreatic Kininogenase capsule and its products are better than Lumbrokinase injection, therefore, the Group shifted its research and development resources to the aforesaid products and the research and development progress of Lumbrokinase injection will slow down |
|---|--|

Enhancing the existing PRC sales network and exploring business opportunities in other Asian countries:

- | | |
|---|--|
| <ul style="list-style-type: none"> - Employ overseas distributors to promote the Company's diagnostic reagents and pharmaceutical products | <ul style="list-style-type: none"> - Small quantity of diagnostic reagent products has been marketed to Indonesia and Malaysia through overseas distributors - For pharmaceutical product, the group has extended the market of Lumbrokinase capsule to USA, Japan and Indonesia |
| <ul style="list-style-type: none"> - Host conferences and forums in other Asian countries such as Malaysia, India and Vietnam | <ul style="list-style-type: none"> - In view of the changes in market environment of pharmaceutical product business due to the implementation of new policies by the state, the Group believes that resources should be put in consolidating the market share of its existing products. Therefore, the convening of conferences and forums will be put on hold |

Management Discussion and Analysis (Continued)

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS (CONTINUED)

Business Objectives

Actual Business Progress

Introducing new products periodically:

- | | |
|---|--|
| <ul style="list-style-type: none"> - Complete product enhancement, obtain SFDA registration certificates and commercial launch of Lipoprotein (a), Microalbumin CK-MB in-vitro diagnostic reagents - Obtain SFDA's registration certificate and commence production of fecal occult blood rapid testing card and Adenosine Deaminase liquid reagent and α-Amylase double liquid reagent kit - Conduct academic promotional activities for Octreotide Acetate injection and Pentoxifylline capsules, and the commercial launch of Pentoxifylline entericoated capsule | <ul style="list-style-type: none"> - The enhanced reagents of Lipoprotein (a), Microalbumin, CK-MB in-vitro diagnostic reagents have been launched to the market - SFDA registration certificates for Adenosine Deaminase liquid reagent and α-Amylase double liquid reagent kit have been obtained, production is underway and promotion activities are on-going - The research and development of fecal occult blood rapid testing card has been completed and is in the application stage, expect to receive the certificate within 2006 - In view of the changes in market environment of pharmaceutical product business due to the implementation of new policies by the state, the Group believes that resources should be put in consolidating the market share of its existing products. Therefore, promotions of new products will put on hold |
|---|--|

Expanding production facilities/capacity:

- | | |
|---|--|
| <ul style="list-style-type: none"> - Lumbrokinase production lines relocated to the Changping Site - Obtain GMP certification for pharmaceutical products production facilities in the Changping Site | <ul style="list-style-type: none"> - The relocation has been completed. As such, the production capacity of Lumbrokinase capsule increased significantly - The SFDA has granted GMP certification for the production facilities of pharmaceutical products in the Changping Site |
|---|--|

Forming strategic alliances:

- | | |
|---|--|
| <ul style="list-style-type: none"> - Explore business opportunities in major hospitals and testing institutions with bio-chemical analysers manufacturers in the PRC | <ul style="list-style-type: none"> - The Company has successfully allied with two new business partners to promote its reagent products |
|---|--|

Management Discussion and Analysis (Continued)

USE OF PROCEEDS

The actual use of proceeds for the six months ended 30 June 2006, as compared to the amount set out in the section headed "Reasons for the Placing and the Use of Proceeds" of the Company's prospectus, is summarized as follows:

	Proposed HK\$'000	Actual HK\$'000
Expanding research and development effort in product development	2,250	2,363
Enhancing existing PRC sales network and exploring business opportunities in other Asian countries	1,300	1,878
Product promotion	400	400
Expanding production facilities/ capacity	–	–
Working capital	360	360
Total	4,310	5,001

EMPLOYEE

On 30 June 2006, approximately 475 employees (31 December 2005: approximately 407) were employed by the Group. The rewards and benefits of our employees are competitive.

APPRECIATION

On behalf of the Board, I would like to extend my sincere thanks to all shareholders and business partners of the Group for their unwavering support, and to the entire staff of the Group for their valuable contribution.

By order of the Board

Biosino Bio-Technology and Science Incorporation

Dr. Rao Zihe

Chairman

Beijing, the PRC, 8 August 2006

The Board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Group for the three months and six months ended 30 June 2006 and the unaudited condensed consolidated balance sheet of the Group as at 30 June 2006, together with the comparative figures in 2005, as follows:

Condensed Consolidated Profit and Loss Account

For the three months and six months ended 30 June 2006

	Notes	Three months ended 30 June		Six months ended 30 June	
		2006 Unaudited RMB'000	2005 Unaudited RMB'000	2006 Unaudited RMB'000	2005 Unaudited RMB'000
TURNOVER	2, 3	38,171	35,874	68,170	66,173
Cost of sales		(12,664)	(10,603)	(22,525)	(19,606)
Gross profit		25,507	25,271	45,645	46,567
Other revenue and gains		373	144	444	302
Selling and distribution costs		(10,703)	(9,831)	(17,821)	(16,047)
Administrative expenses		(6,803)	(5,499)	(12,322)	(10,695)
Research and development costs		(2,223)	(813)	(4,029)	(2,321)
PROFIT FROM OPERATING ACTIVITIES	4	6,151	9,272	11,917	17,806
Finance costs	5	(496)	(67)	(1,044)	(84)
PROFIT BEFORE TAX		5,655	9,205	10,873	17,722
Tax	6	(977)	(1,519)	(1,624)	(2,415)
PROFIT FOR THE PERIOD		4,678	7,686	9,249	15,307
Attributable to:					
Shareholders of the Company		4,364	7,138	8,682	14,196
Minority interests		314	548	567	1,111
		4,678	7,686	9,249	15,307
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	7				
– Basic (RMB)		0.044	0.102	0.098	0.203

Condensed Consolidated Balance Sheet

As at 30 June 2006

		30 June	31 December
		2006	2005
		Unaudited	Audited
	<i>Notes</i>	RMB'000	RMB'000
ASSETS			
Non-current assets:			
Property, plant and equipment		107,264	107,327
Prepaid land premiums		6,986	7,059
Know-how		2,447	1,787
Goodwill		309	–
Trade and bills receivables	9	466	603
Investment deposit		–	1,000
Total non-current assets		117,472	117,776
Current assets:			
Prepaid land premiums		146	146
Inventories		22,026	21,706
Trade and bills receivables	9	29,603	22,954
Prepayments, deposits and other receivables		11,768	10,318
Pledged bank balance		–	317
Cash and cash equivalents		97,051	37,840
Total current assets		160,594	93,281
TOTAL ASSETS		278,066	211,057

Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2006

		30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
	<i>Notes</i>		
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company:			
Issued capital	10	100,018	70,018
Reserves		60,221	32,640
Proposed final dividend		–	10,002
		160,239	112,660
Minority interests		9,527	10,283
TOTAL EQUITY		169,766	122,943
Non-current liabilities:			
Other long term liabilities		6,486	4,500
Total non-current liabilities		6,486	4,500
Current liabilities:			
Trade and bills payables	11	3,031	958
Other payables and accruals		46,072	41,060
Taxes payable		2,711	1,596
Bank borrowings		50,000	40,000
Total current liabilities		101,814	83,614
TOTAL LIABILITIES		108,300	88,114
TOTAL EQUITY AND LIABILITIES		278,066	211,057

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2006

	Attributable to shareholders of the Company							
	Issued share capital	Capital reserves#	Statutory reserves	Retained Profits	Proposed final dividend	Total	Minority interests	Total equity
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000
At 1 January 2006	70,018	7,544 [†]	17,286 [†]	7,810 [†]	10,002	112,660	10,283	122,943
Proceeds from issuing of new H shares	30,000	31,200	-	-	-	61,200	-	61,200
Share issuance costs	-	(12,301)	-	-	-	(12,301)	-	(12,301)
Profit for the period and total recognised income and expense for the period	-	-	-	8,682	-	8,682	567	9,249
Final 2005 dividend declared	-	-	-	-	(10,002)	(10,002)	-	(10,002)
Acquisition of interest in a subsidiary	-	-	-	-	-	-	1,577	1,577
Dividend declared to a minority shareholder	-	-	-	-	-	-	(2,900)	(2,900)
At 30 June 2006	100,018	26,443[†]	17,286[†]	16,492[†]	-	160,239	9,527	169,766
At 1 January 2005	70,018	2,959	12,811	2,520	18,000	106,308	9,709	116,017
Profit for the period and total recognised income and expense for the period	-	-	-	14,196	-	14,196	1,111	15,307
Final 2004 dividend declared	-	-	-	-	(18,000)	(18,000)	-	(18,000)
Dividend declared to a minority shareholder	-	-	-	-	-	-	(1,600)	(1,600)
At 30 June 2005	70,018	2,959	12,811	16,716	-	102,504	9,220	111,724

The capital reserves of the Group include non-distributable reserves of the Company and its subsidiary created in accordance with accounting and financial regulations in the PRC.

† These reserve accounts comprise the consolidated reserves of RMB60,221,000 and RMB32,640,000 in the consolidated balance sheets as at 30 June 2006 and 31 December 2005, respectively.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2006

	Six months ended	
	30 June	
	2006	2005
	Unaudited	Unaudited
	RMB'000	RMB'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	5,381	10,704
Net cash outflow from investing activities	(13,295)	(16,080)
Net cash inflow from financing activities	67,125	4,916
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	59,211	(460)
Cash and cash equivalents at beginning of period	37,840	46,835
CASH AND CASH EQUIVALENTS AT END OF PERIOD	97,051	46,375

Condensed Notes to the Financial Statements

1. BASIS OF PREPARATION

The unaudited condensed consolidated accounts for the three months and six months ended 30 June 2006 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated accounts are consistent with those used in the Company’s audited financial statements for the year ended 31 December 2005.

2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group’s operating businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group’s business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segment. Particulars of the business segments are summarised as follows:

- (i) the in-vitro diagnostic reagent products segment manufactures, sells and distributes a variety of mono/double diagnostic reagent products and reagent ancillary products; and
- (ii) the pharmaceutical product segment manufactures, sells and distributes a pharmaceutical product.

(a) Business segments

The following tables present revenue and results for the Group’s business segments for each of the six months ended 30 June 2006 and 2005.

Six months ended 30 June 2006

	In-vitro diagnostic reagent products Unaudited RMB’000	Pharma- ceutical product Unaudited RMB’000	Eliminations Unaudited RMB’000	Total Unaudited RMB’000
Segment revenue:				
Sales to external customers	43,652	24,518	–	68,170
Other revenue	24	–	–	24
Total	<u>43,676</u>	<u>24,518</u>	<u>–</u>	<u>68,194</u>
Segment results	<u>8,821</u>	<u>2,676</u>		<u>11,497</u>
Interest income				<u>420</u>
Profit from operating activities				<u>11,917</u>
Finance costs				<u>(1,044)</u>
Profit before tax				<u>10,873</u>
Tax				<u>(1,624)</u>
Profit for the period				<u>9,249</u>

Condensed Notes to the Financial Statements (Continued)

2. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (Continued)

Six months ended 30 June 2005

	In-virto diagnostic reagent products Unaudited RMB'000	Pharma- ceutical product Unaudited RMB'000	Eliminations Unaudited RMB'000	Total Unaudited RMB'000
Segment revenue:				
Sales to external customers	39,402	26,771	–	66,173
Other revenue	–	–	–	–
Total	39,402	26,771	–	66,173
Segment results	10,944	6,560		17,504
Interest income				302
Profit from operating activities				17,806
Finance costs				(84)
Profit before tax				17,722
Tax				(2,415)
Profit for the period				15,307

(b) Geographical segments

No geographical segmental analysis is presented as all of the Group's assets and operations were located in Mainland China for each of the six months ended 30 June 2006 and 2005.

Condensed Notes to the Financial Statements (Continued)

3. TURNOVER

Turnover represents the net invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for goods returned and trade discounts. An analysis of the Group's turnover for the three months and six months ended 30 June 2006 is as follows:

	Three months ended 30 June 2006		Six months ended 30 June 2006	
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000
Sale of in-vitro diagnostic reagent products	24,622	22,007	43,652	39,402
Sale of a pharmaceutical product	13,549	13,867	24,518	26,771
	38,171	35,874	68,170	66,173

4. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities was determined after charging the following:–

	Three months ended 30 June 2006		Six months ended 30 June 2006	
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000
Depreciation	1,888	535	3,319	1,050
Amortisation of know-how	107	74	185	148
Amortisation of prepaid land premiums	37	3	73	39

5. FINANCE COSTS

	Three months ended 30 June 2006		Six months ended 30 June 2006	
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000
Interest on bank loans	496	67	1,044	84

Condensed Notes to the Financial Statements (Continued)

6. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2006 (2005: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. According to the relevant PRC income tax law, the Company and its subsidiaries, registered as new and high technology enterprises in Beijing, are entitled to a concessionary income tax rate of 15%, which has been applied for both periods.

	Three months ended 30 June		Six months ended 30 June	
	2006	2005	2006	2005
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
Group:				
Current – Mainland China	977	1,519	1,624	2,415

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 30 June 2006 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average of 100,017,528 (2005: 70,017,528) registered shares in issue during the period.

The calculation of basic earnings per share for the six months ended 30 June 2006 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average of 88,693,025 (2005: 70,017,528) registered shares in issue during the period.

No diluted earnings per share have been presented as no diluting event existed during the three months and six months ended 30 June 2006 (2005: Nil).

8. INTERIM DIVIDEND

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

9. TRADE AND BILLS RECEIVABLES

The credit period of the Group to its customers is generally for a period ranging from 60 to 90 days, except for certain established customers, to which credit periods can be granted up to 14 months. The Group closely monitors overdue balances, and a provision for doubtful receivables is made when it is considered that amounts due may not be recovered. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Condensed Notes to the Financial Statements (Continued)

9. TRADE AND BILLS RECEIVABLES (CONTINUED)

An aged analysis of the trade and bills receivables of the Group as at the balance sheet date is as follows:

	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
Within 3 months	22,131	19,422
4 to 6 months	3,664	4,001
7 to 12 months	4,520	825
1 to 2 years	738	547
Over 2 years	952	698
	32,005	25,493
Less: Provision for doubtful receivables	(1,936)	(1,936)
	30,069	23,557
Less: Portion classified as current assets	(29,603)	(22,954)
	466	603

Included in the trade and bills receivables of the Group and the Company as at 30 June 2006 was an aggregate amount of RMB466,000 (2005: RMB603,000) due from certain established customers of the Company with an extended credit period of 14 months (based on the invoice date) granted by the Company. The balances are interest-free and are personally guaranteed by the legal representative of the respective companies.

10. SHARE CAPITAL

	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
Registered, issued and fully paid:		
Domestic shares of RMB1.00 each	67,018	70,018
H shares of RMB1.00 each	33,000	-
	100,018	70,018

Condensed Notes to the Financial Statements (Continued)

10. SHARE CAPITAL (CONTINUED)

A summary of the movements in the Company's share capital for the six months ended 30 June 2006 is as follows:

	Number of shares in issue	Share capital Unaudited RMB'000
At 1 January 2006	70,017,528	70,018
Domestic shares converted into H shares	(3,000,000)	(3,000)
Placing of H shares	33,000,000	33,000
At 30 June 2006	100,017,528	100,018

On 27 February 2006, the Company undertook a placing of 33,000,000 ordinary H shares in total, comprising 30,000,000 new H shares and 3,000,000 H shares converted from old domestic shares of the Company, at a placing price of HK\$2.0 per H share for listing on the GEM (the "Placing"). Based on the above, net proceeds raised from the Placing, after deduction of related issue expenses, amounted to approximately RMB48.9 million.

11. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables of the Group as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
Outstanding balances aged:		
Within 3 months	2,468	764
4 to 6 months	338	79
7 to 12 months	184	41
1 to 2 years	7	34
Over 2 years	34	40
	3,031	958

The trade payables are non-interest-bearing and are normally settled on credit terms of 30 to 90 days.

Condensed Notes to the Financial Statements (Continued)

12. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2006 (2005: Nil).

13. CAPITAL COMMITMENTS

(i) The Group had the following capital commitments at the balance sheet date:

	30 June 2006 Unaudited RMB'000	31 December 2005 Audited RMB'000
Authorised, but not contracted for:		
Land and buildings	–	573
Plant and machinery	–	3,921
	–	4,494

(ii) Pursuant to a research and development cooperation agreement (the "Research and Development Cooperation Agreement") dated 9 August 2004 entered into between the Group and the Institute of Biophysics, a shareholder of the Company, both parties will jointly engage in a pre-clinical research project for the development of a chemical drug, namely, Alprostadil for Injection. Upon the completion of such pre-clinical research purpose, the Group will have the right to obtain the ownership of the relevant clinical testing certificate and the production licence to be issued thereafter by the State Food and Drug Administration of the PRC, while the Group would be required to pay the Institute of Biophysics an amount equivalent to 50% of the assessed market value of the clinical research rights. According to the Research and Development Cooperation Agreement, the assessed market value of the clinical research rights is subject to a cap of RMB5,000,000. Therefore, the maximum amount of consideration that the Group has to pay to the Institute of Biophysics as compensation will be RMB2,500,000. As at the date of approval of these unaudited condensed consolidated accounts, the Group has not made any compensation to the Institute of Biophysics under the aforesaid agreement.

Condensed Notes to the Financial Statements (Continued)

14. RELATED PARTY TRANSACTIONS

- (a) The Group had the following transactions with related parties during the period:

	Notes	Six months ended 30 June	
		2006 Unaudited RMB'000	2005 Unaudited RMB'000
CONTINUING TRANSACTIONS:			
Technical service fee paid by the Company	(i)	250	250
		250	250
DISCONTINUED TRANSACTIONS:			
Rental paid by the Company in respect of operating lease arrangements of office properties, factory premises and warehouses	(ii)	-	367
Rental paid by Baiao Pharmaceuticals in respect of operating lease arrangements of office properties, factory premises and warehouses	(ii)	233	466
Water and electricity fees paid by Baiao Pharmaceuticals	(ii)	84	253
		317	1,086

Notes:

- (i) On 9 December 2004, the Institute of Biophysics and the Company entered into an exclusive technology licensing agreement (the "Licensing Agreement") in regard to the production of diagnostic reagents by employing the technologies owned by the Institute of Biophysics (the "Reagent Technologies"). Pursuant to the Licensing Agreement, the Company is required to pay a fee of RMB500,000 per annum to the Institute of Biophysics for 20 years, commencing on the effective date of the Licensing Agreement. In addition, the Institute of Biophysics confirmed that it would not pursue any legal or economic obligations against the Company for using the Reagent Technologies in prior years. In the opinion of the directors, the technical service fee was determined based on negotiation and by reference to the valuation of the Reagent Technologies performed by an independent PRC asset appraisal valuer in August 2000.
- (ii) Prior to the relocation of production facilities to the Changping Site, the Group's premises at Haidian District of Beijing, the PRC (the "Haidian Premises") are leased from the Institute of Biophysics. The rentals were paid based on a mutually agreed terms. In the opinion of the directors, the rentals were determined by reference to the then prevailing open market rentals. Water and electricity fees incurred by the Group at the Haidian Premises were firstly paid by the Institute of Biophysics and reimbursed by the Group subsequently. In the opinion of the directors, the water and electricity fees reimbursed were determined by reference to the then prevailing charges imposed by the relevant government authorities. As all of the Group's production facilities has moved to the Changping site, the Group is no longer committed to the Institute of Biophysics in respect of the aforementioned rental and utility charges.

Condensed Notes to the Financial Statements (Continued)

14. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) Compensation of key management personnel of the Group

	Six months ended	
	30 June	
	2006	2005
	Unaudited	Unaudited
	RMB'000	RMB'000
Short term employee benefits	3,440	2,758
Post-employment benefits	-	-
Share-based payments	-	-
Total compensation paid to key management personnel	3,440	2,758

The directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

Discloseable Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2006, the interests and short positions of the directors in the shares and underlying shares of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and to the Stock Exchange, will be as follows:

Long position in issued shares of the Company

Name of director	Nature of interest	Number of domestic shares	Percentage of domestic shares held	Percentage of total registered share capital
Zhu Yigui (<i>Note</i>)	Personal	1,050,263	1.6	1.05

Note: Zhu Yigui is the registered holder and beneficial owner of the 1,050,263 domestic shares.

Save as disclosed above, as at 30 June 2006, none of the directors or supervisors had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under the SFO) or will be required pursuant to the required standard of dealings by directors as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules or Section 352 of the SFO to be entered in the register of interests referred to therein.

Discloseable Information (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As far as is known to any directors or supervisors of the Company, as at 30 June 2006, the following persons (other than directors or supervisors of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register to be kept under Section 336 of the SFO:

Long positions in shares

Name of person	Nature of interest	Total number of domestic shares	Percentage of domestic shares	Percentage of total register capital
Institute of Biophysics of the Chinese Academy of Sciences	Domestic Shares	31,308,576	46.7%	31.3%
Beijing Enterprises Holdings High-Tech Development Co., Ltd. ("BEHT")	Domestic Shares	24,506,143	36.6%	24.5%
Beijing Enterprises Holdings Limited ("BEHL") (Note 1)	Domestic Shares	24,506,143	36.6%	24.5%

Note:

- These domestic shares are registered in the name of BEHT. As BEHL is entitled to exercise or control the exercise of one-third or more of the voting rights at the general meetings of BEHT, for the purpose of the SFO, BEHL is deemed to be interested in all the domestic shares in which BEHT is interested.

Save as disclosed above, as far as is known to any directors or supervisors of the Company, as at 30 June 2006, no person, other than the director of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register required to be recorded pursuant to Section 336 of the SFO.

Discloseable Information (Continued)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the directors or supervisors or their respective associates (as defined under the GEM Listing Rules) was granted by the Company or its subsidiary any rights or options to acquire any shares in or debentures of the Company or had exercised any such rights as at 30 June 2006.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the period and up to the date of this announcement, none of the directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the directors have been appointed or were appointed as directors to represent the interests of the Company and/or the Group, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

H shares of the Company have been listed on the GEM of the Stock Exchange since 27 February 2006. During the period from the listing date to 30 June 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE ADVISER'S INTEREST

As updated and notified by the Company's compliance adviser, Partners Capital International Limited (the "Compliance Adviser"), none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company as at 30 June 2006 pursuant to Rule 6.36 of the GEM Listing Rules. Pursuant to an agreement dated 27 February 2006 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive a fee for acting as the Company's compliance adviser for the period from 27 February 2006 and end on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year ending 31 December 2008 or until the agreement is terminated in accordance with the terms and conditions set out therein.

Discloseable Information (Continued)

AUDIT COMMITTEE

The Company has established an audit committee on 10 February 2006 with written terms of reference in compliance with the requirements as set out in Rules 5.28 and 5.29 of the GEM Listing Rules. The audit committee's primary duties are the review and supervision of the Company's financial reporting procedures and internal control systems. The audit committee consists of the three independent non-executive directors, namely Prof. Yang Zhenhua, Dr. Hua Sheng and Mr. Chan Yiu Kwong. The unaudited condensed consolidated accounts for the six months ended 30 June 2006 have been reviewed by the audit committee of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company always puts strong emphasis on corporate governance. However, in the opinion of the Board, because the Company was listed on the GEM board of the stock exchange of Hong Kong on 27 February 2006, therefore, the code provisions in the Code on Corporate Governance Practice (the "Code") as set out in the Appendix 15 of the GEM Listing Rules was not be fully complied by the Company before listing. Subject to the deviations as disclosed on this report, the Company has complied with all the Code by establishing a formal and transparent procedures to protect and maximize the interests of shareholders during the period under review after listing.