



中生北控生物科技股份有限公司

BIOSINO BIO-TECHNOLOGY AND SCIENCE INCORPORATION*

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

Stock Code : 8247



PROGRESSIVE EXPANSION

SOLID IMPROVEMENT

Interim Report 2008

* For Identification Purposes Only

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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.

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Corporate Information

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WEBSITE

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BOARD OF DIRECTORS

Chairman and executive Director
Mr. Wu Lebin

Vice Chairman and non-executive Directors
Mr. Zhang Yong
Dr. Gao Guang Xia

Executive Directors
Dr. Wang Lin
Mr. Hou Quanmin

Non-executive Directors
Ms. Qin Xuemin
Mr. Rong Yang
Mr. Wang Fu Gen
Ms. Yu Xiaomin

Independent non-executive Directors
Dr. Rao Yi
Dr. Hua Sheng
Mr. Chan Yiu Kwong

SUPERVISORS

Dr. He Rongqiao
Mr. Wang Xin
Mr. Shao Yimin

COMPANY SECRETARY

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

QUALIFIED ACCOUNTANT

Mr. Cheung Yeung 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

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
Number of H shares issued:	33,000,000 H shares
Nominal value:	RMB1.00 per H share

Group Profile

Biosino Bio-Technology and Science Incorporation (“Biosino Bio-Tec” or “the Company”) is the leading supplier of in-vitro diagnostic reagents in China. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the research and development, manufacture, sale and distribution of in-vitro diagnostic reagents and pharmaceutical products, and providing hospital and other medical institutions with quality and reliable diagnostic reagents and pharmaceutical products. Beijing Baiao Pharmaceuticals Co., Ltd. (“Baiao Pharmaceuticals”), a subsidiary of the Group, manufactures Lumbrokinase capsule, a Class II prescription drug which is used to treat cardio cerebrovascular diseases. These two kinds of products lay the solid business foundations of the Group in the medical industry in China, thus strengthening the Group for further development.

Shareholders of the Company are having strong background. Our largest shareholder, the Institute of Biophysics of the Chinese Academy of Sciences (“IBP”), is the leading research institution in life sciences in China; while the second largest shareholder is Beijing Enterprises Holdings High-Tech Development Co., Ltd. (“BEHT”), a subsidiary of Beijing Enterprises Holdings Limited.

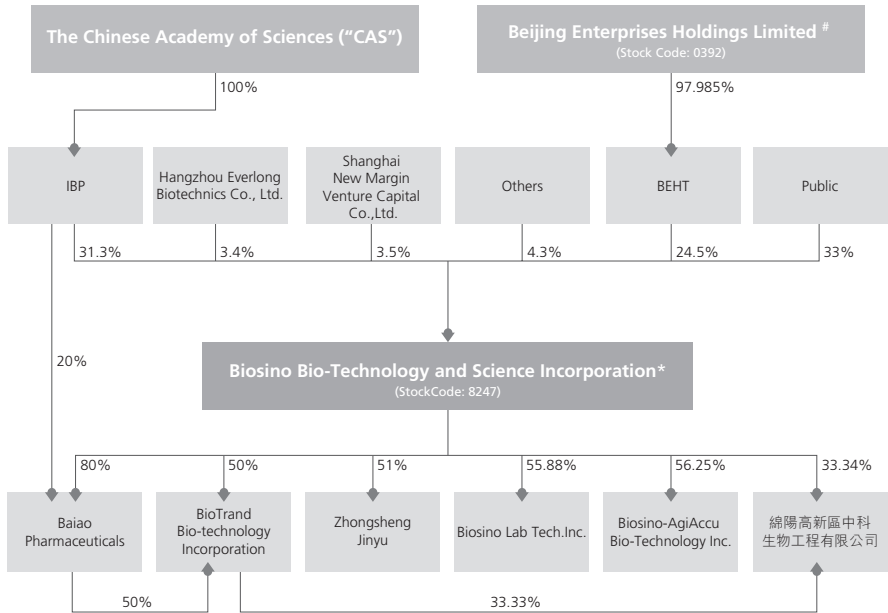
The “Biosino” and “Baiao” brands of the Group are well-known in the industry. “Biosino” was awarded as “Renowned Beijing Brand” (北京名牌產品) in 2002 and was awarded “No. 1 Brand with High Quality and Reputation in the In-vitro Diagnostic Reagent Market of the PRC” (中國診斷試劑市場用戶滿意質量信譽第一品牌) in 2005, and it is highly recognised among market users and in the medical sector. The Group adopted an integrated retail and distribution model in marketing, and established an efficient, stable and extensive sales network covering over 30 provinces, cities and municipalities with more than 600 distributors. The Group’s diagnostic reagents and Lumbrokinase capsule are well distributed at domestic hospitals and medical institutions.

The Group ranked No. 1 in the conventional medical chemistry market in China. Lumbrokinase capsule is included in the Drugs Catalogue of National Basic Medical Insurance (國家基本醫療保險藥品目錄) and Reimbursable Drugs Catalogue of Public Medical and Labour Insurance 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 recognised in the market.

In addition, a number of management members of the Group are professors and doctors. By upholding our business principles of “By people, for people; ceaseless innovation; unquestionable quality pursuing perfection; genuine craftsmanship and ethical management”, our management strives to strengthen our overall competitiveness, with some of them had research experience in the IBP, these solid scientific research background and ambition provide firm research foundations of Biosino Bio-Tec. and advantages to the long-term business development of the Group.

Group Structure

As at 30 June 2008



* Listed on the GEM of the Stock Exchange

Listed on the Main Board of the Stock Exchange

Management Discussion and Analysis

BUSINESS REVIEW FOR THE FIRST HALF OF 2008

The market for our products was further expanded in the first half of the year because of the persistent growth in the Chinese domestic medical sector, together with the accelerated improvement to the quality of certain products, the enhanced proprietary innovation awareness and capability of many tertiary-level hospitals, and the stepped up partnership between the Group and hospitals following the implementation of the "863 Program" by the Group. With respect to sales, the Group adopted timely and corresponding initiatives to the natural disasters and to the changes in economic situation by adjusting its sales strategies. As a result, the Group's business operations achieved a rapid development momentum.

The additional resources committed to research and development over the past year have begun to reap the fruits. In the first half of the year, the Group applied another two new products for approval. Relevant processes prior to application for approval were completed for several new products and upgrade products respectively, and the application for approval and registration are expected to be completed within this year.

FINANCIAL REVIEW FOR THE FIRST HALF OF 2008

Revenue for the six months ended 30 June 2008 was approximately RMB104 million, representing an increase of 24.7% as compared with approximately RMB83.65 million for the corresponding period last year. For the revenue of this period, approximately RMB70.69 million was generated from the sale of in-vitro diagnostic reagent products, accounting for 67.8% of the Group's total revenue and representing an increase of 30.8% as compared with RMB54.03 million for the corresponding period last year. As for pharmaceutical products, the revenue from the sale of Lumbrokinase capsules was RMB33.64 million, accounting for 32.2% of the Group's total revenue and representing an increase of 13.6% as compared with RMB29.62 million for the corresponding period last year.

For the six months ended 30 June 2008, profit from operating activities amounted to RMB16.69 million, representing an increase of 18.5% over the corresponding period last year.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW FOR THE FIRST HALF OF 2008 (Continued)

Profit attributable to shareholders for the six months ended 30 June 2008 was RMB8.98 million, representing an increase of approximately 25.1% as compared with RMB7.18 million for the corresponding period last year. Such increase was mainly attributable to the growth in the Group's principal business.

PROSPECT AND OUTLOOK

Looking forward, the Group will continue to make efforts in the establishment of the technological innovation system, the reference system and the industry standard system for the in-vitro diagnostic industry. By inputting further effort in the research and development of new products in order to enhance the proprietary innovation capability and core competitiveness. The Group will strive to expand the product chain and move into the new sectors for diagnostic products for immunology while working to strengthen diagnostic products for clinical biochemistry. It is anticipated that the Group will have several additional new in-vitro diagnostic products and pharmaceuticals by the end of the year, which will facilitate the Group's sustainable development.

Meanwhile, the Board believes the loosened State's policy for the medical sector and market growth will provide development opportunities for the Group. The Group will seize these opportunities and to carry out merger and acquisition aggressively with caution within its principal business portfolio for exploring new areas; continue to reinforce the establishment of the market network and establish a competitive industry system for maintaining its sustainable development in order to contribute to maximizing shareholders' interest.

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 the actual business progress for the six months ended 30 June 2008.

Business Objectives

Actual Business Progress

Expanding research and development effort in product development

- | | |
|---|--|
| – Complete the development of Protein Microarrays | Implementation of the project has been delayed |
| – Continue carrying out the research and development of antibody substances | The R&D of Transferrin Antibody, Apolipoprotein A1 Antibody and Apolipoprotein B Antibody has been completed and putting on a small scale production |
| – Carry out the trial commencement of tumour prognostic methods and cardiac muscular triple card prognostic methods, and the registration of products | The project has been completed and production of products has been approved |
| – Begin the registration of Lumbrokinase injection products | Pre-clinical research of Alprostadil injection has been completed and an application for the registration has been filed with the State Food and Drug Administration. The product is undergoing a technical evaluation by the Drug Evaluation Center of the State Food and Drug Administration. Approval document for clinical purposes is expected to be granted in the second half of the year |
| – Carry out the trial production of rapid testing cards for infectious diseases and the registration of products | AIDS and Hepatitis B testing products have been released through agencies |

Management Discussion and Analysis (Continued)

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS (Continued)

Business Objectives

Actual Business Progress

Consolidating the Group's existing PRC sales network and exploring business opportunities in other Asian countries

- Organize live the 20th anniversary celebration event and sales promotional activities
- Preparation work is undergoing

Introducing new products periodically

- Launch Lumbrokinase injections
- Due to technical reasons, the research and manufacturing of Lumbrokinase injections have not commenced yet
- Obtain new drug certificate for Pancreatic Kininogenase and commence production and launch Protein Microarrays
- An application for production has been filed. The product is undergoing a technical evaluation by the Drug Evaluation Center of the State Food and Drug Administration. Approval document for production is expected to be granted and production is expected to commence in the second half of the year

Forming strategic alliances

- Continue seeking strategic alliances with bio-chemical diagnostic equipment manufacturers to explore business opportunities in the PRC and overseas markets
- Company's products are already available for sale in 14 countries

Management Discussion and Analysis (Continued)

USE OF PROCEEDS

The actual use of proceeds for the six months ended 30 June 2008, 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 summarised as follows:

	Proposed	Actual
	HK\$'000	HK\$'000
Expanding research and development effort		
in product development	4,600	4,704
Enhancing existing PRC sales network and exploring		
business opportunities in other Asian countries	2,600	2,726
Product promotion	400	400
Working capital	360	360
Total	7,960	8,190

CAPITAL STRUCTURE, FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with cash flows generated from sales, capital contributions from shareholders and bank borrowings. During the period, cash flow from operating activities was approximately RMB4.5 million. There were no new issue of shares and new bank borrowings for the period.

As at 30 June 2008, the Group had cash and bank balances of approximately RMB119.6 million (as at 31 December 2007: approximately RMB148.7 million). The Group’s bank borrowings amounted to RMB90 million as at 30 June 2008 and 31 December 2007. Such borrowings are denominated in Renminbi and at fixed interest rates. The Group was in a net cash position of approximately RMB29.6 million (as at 31 December 2007: approximately RMB58.7 million). The gearing ratio (defined as total bank loans over the equity attributable to shareholders of the Company) was 50% (as at 31 December 2007: 49.7%).

Management Discussion and Analysis (Continued)

FOREIGN CURRENCY RISK

The Group's businesses are located in Mainland China and all transactions are conducted in Renminbi, except for the fact that the Group occasionally purchases equipment from overseas countries for resale in Mainland China. As the purchase amount was not significant, fluctuations of the exchange rates of Renminbi against foreign currencies are not expected to have significant impact on the results of the Group.

PLEDGE OF ASSETS OF THE GROUP

As at 30 June 2008 and 31 December 2007, the Group's bank loans were secured by the Group's land in Mainland China and buildings erected thereon, with an aggregate carrying value of approximately RMB54,220,000 and RMB55,078,000 respectively at the balance sheet date.

INVESTMENTS OF THE GROUP

The group had acquired certain listed equity investments in Mainland China during the period. As at 30 June 2008 the investments were stated at fair value with an aggregate value of approximately RMB33,538,000 (2007: nil).

CONTINGENT LIABILITIES

As at 30 June 2008 and 31 December 2007, the Group did not have any contingent liabilities.

EMPLOYEE

On 30 June 2008, approximately 610 full-time employees (as at 31 December 2007: approximately 613) were employed by the Group. The total staff costs of the Group (including the directors' remunerations) for the period ended 30 June 2008 amounted to approximately RMB21.55 million (2007: approximately RMB18.46 million). The Group fixes and reviews the emoluments of its staff and directors based on their qualification, experience, performance, and market rates, so as to maintain the remunerations of its staff and directors at a competitive level.

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
Wu Lebin
Chairman

Beijing, the PRC, 8 August 2008

The Board of Directors (the "Board") of the Company announced the unaudited consolidated results of the Group for the three months and six months ended 30 June 2008 and the unaudited condensed consolidated balance sheet of the Group as at 30 June 2008, together with the comparative figures in 2007, as follows:

Condensed Consolidated Income Statement

For the three months and six months ended 30 June 2008

	Notes	Three months ended 30 June		Six months ended 30 June	
		2008 Unaudited RMB'000	2007 Unaudited RMB'000	2008 Unaudited RMB'000	2007 Unaudited RMB'000
REVENUE	2, 3	59,924	47,188	104,333	83,652
Cost of sales		(18,948)	(16,472)	(34,211)	(29,318)
Gross profit		40,976	30,716	70,122	54,334
Other income and gain		4,315	2,033	3,471	3,122
Gain on disposal of financial assets at fair value through profit or loss		–	–	1,338	566
Selling and distribution expenses		(13,935)	(11,322)	(25,904)	(18,582)
Administrative expenses		(15,546)	(11,227)	(25,268)	(19,776)
Research and development expenses		(1,278)	(2,029)	(4,676)	(5,018)
Other operating expenses		(2,395)	(161)	(2,395)	(556)
PROFIT FROM OPERATING ACTIVITIES	4	12,137	8,010	16,688	14,090
Finance costs	5	(2,830)	(1,390)	(2,977)	(2,732)
Share of loss of a jointly-controlled entity		(29)	–	(268)	–
PROFIT BEFORE TAX		9,278	6,620	13,443	11,358
Tax	6	(2,343)	(1,830)	(3,777)	(3,294)
PROFIT FOR THE PERIOD		6,935	4,790	9,666	8,064
Attributable to:					
Shareholders of the Company		6,249	4,180	8,982	7,182
Minority interests		686	610	684	882
		6,935	4,790	9,666	8,064
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	7				
– Basic (RMB)		0.062	0.042	0.090	0.072
– Diluted		N/A	N/A	N/A	N/A

Condensed Consolidated Balance Sheet

As at 30 June 2008

	Notes	30 June 2008 Unaudited RMB'000	31 December 2007 Audited RMB'000
ASSETS			
Non-current assets:			
Property, plant and equipment		117,395	118,998
Prepaid land premiums		7,321	7,470
Goodwill		470	470
Other intangible assets		2,019	2,450
Interest in a jointly-controlled entity		–	268
Trade and bills receivables	9	1,966	1,966
Long-term deposits		1,742	1,751
Total non-current assets		130,913	133,373
Current assets:			
Prepaid land premiums		178	177
Inventories		27,565	24,749
Trade and bills receivables	9	45,298	33,716
Prepayments, deposits and other receivables		9,000	7,936
Financial assets at fair value through profit or loss		33,538	–
Cash and cash equivalents		119,613	148,721
Total current assets		235,192	215,299
TOTAL ASSETS		366,105	348,672

Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2008

	<i>Notes</i>	30 June 2008 Unaudited RMB'000	31 December 2007 Audited RMB'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company:			
Issued capital	10	100,018	100,018
Reserves		79,989	71,007
Proposed final dividend		–	10,002
		180,007	181,027
Minority interests		23,848	21,965
TOTAL EQUITY		203,855	202,992
Non-current liabilities:			
Bank borrowings		40,100	40,000
Deferred income		12,441	9,481
Other payables and accruals		1,800	1,800
Total non-current liabilities		54,341	51,281
Current liabilities:			
Trade payables	11	10,453	7,364
Other payables and accruals		40,407	31,087
Taxes payable		7,049	6,156
Bank borrowings		50,000	49,792
Total current liabilities		107,909	94,399
TOTAL LIABILITIES		162,250	145,680
TOTAL EQUITY AND LIABILITIES		366,105	348,672

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Attributable to shareholders of the Company							
	Issued share capital	Capital reserves#	Statutory reserves	Retained Profits	Proposed final dividend	Minority Total 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 2007	100,018	30,309	20,179	10,344	10,002	170,852	18,872	189,724
Profit for the period and total income and expense for the period	-	-	-	7,182	-	7,182	882	8,064
Final 2006 dividend declared	-	-	-	-	(10,002)	(10,002)	-	(10,002)
Acquisition of an interest in a subsidiary	-	-	-	-	-	-	574	574
At 30 June 2007	100,018	30,309	20,179	17,526	-	168,032	20,328	188,360
At 1 January 2008	100,018	30,557	22,531	17,919	10,002	181,027	21,965	202,992
Profit for the period and total income and expense for the period	-	-	-	8,982	-	8,982	684	9,666
Final 2007 dividend declared	-	-	-	-	(10,002)	(10,002)	-	(10,002)
Capital contribution from a minority shareholder	-	-	-	-	-	-	1,199	1,199
At 30 June 2008	100,018	30,557*	22,531*	26,901*	-	180,007	23,848	203,855

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

* These reserve accounts comprise the consolidated reserves of RMB79,989,000 and RMB71,007,000 in the consolidated balance sheet as at 30 June 2008 and 31 December 2007, respectively.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Six months ended	
	30 June	
	2008	2007
	Unaudited	Unaudited
	RMB'000	RMB'000
Net cash inflow from operating activities	4,489	7,498
Net cash outflow from investing activities	(34,013)	(5,309)
Net cash inflow/(outflow) from financing activities	416	(7,522)
Decrease in cash and cash equivalents	(29,108)	(5,333)
Cash and cash equivalents at beginning of period	148,721	154,580
Cash and cash equivalents at end of period	119,613	149,247

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months and six months ended 30 June 2008 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the Company's audited financial statements for the year ended 31 December 2007.

2. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and all of the Group's assets are located in Mainland China.

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
- (ii) the pharmaceutical products segment manufactures, sells and distributes pharmaceutical products.

Notes to the Condensed Consolidated Financial Statements (Continued)

2. SEGMENT INFORMATION (CONTINUED)

The following tables present revenue and results for the Group's business segments for each of the six months ended 30 June 2008 and 2007:

Six months ended 30 June 2008

	In-virto diagnostic reagent products Unaudited RMB'000	Pharma- ceutical products Unaudited RMB'000	Eliminations Unaudited RMB'000	Total Unaudited RMB'000
Segment revenue:				
Sales to external customers	70,689	33,644	-	104,333
Other income	3,784	-	-	3,784
Total	74,473	33,644	-	108,117
Segment results	10,652	5,011	-	15,663
Interest income				1,025
Profit from operating activities				16,688
Finance costs				(2,977)
Share of loss of a jointly-controlled entity	(268)	-	-	(268)
Profit before tax				13,443
Tax				(3,777)
Profit for the period				9,666

Notes to the Condensed Consolidated Financial Statements (Continued)

2. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2007

	In-vitro diagnostic reagent products Unaudited RMB'000	Pharma- ceutical products Unaudited RMB'000	Eliminations Unaudited RMB'000	Total Unaudited RMB'000
Segment revenue:				
Sales to external customers	54,026	29,626	–	83,652
Other income	2,996	–	–	2,996
Total	57,022	29,626	–	86,648
Segment results	9,281	4,117	–	13,398
Interest income				692
Profit from operating activities				14,090
Finance costs				(2,732)
Profit before tax				11,358
Tax				(3,294)
Profit for the period				8,064

Notes to the Condensed Consolidated Financial Statements (Continued)

3. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for the goods returned and trade discounts.

An analysis of the Group's revenue for the three months and six months ended 30 June 2008 is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of in-vitro diagnostic reagent products	41,639	30,774	70,689	54,026
Sale of pharmaceutical products	18,285	16,414	33,644	29,626
	59,924	47,188	104,333	83,652

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation	3,534	2,551	6,210	4,973
Amortisation of know-how	220	108	457	214
Amortisation of prepaid land premiums	46	39	92	77

Notes to the Condensed Consolidated Financial Statements (Continued)

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000
Interests on bank loans	2,830	1,390	2,977	2,732

6. TAX

No provision for Hong Kong profits tax has been made as the Group has not generated any assessable profits in Hong Kong during the six months ended 30 June 2008 (2007: Nil). Taxes on profits assessable in Mainland China, where the Group operates, have been calculated at the rates of tax prevailing in Mainland China, based on existing legislation, interpretations and practices in respect thereof. According to the relevant PRC income tax law, the Company and certain of its subsidiaries, being registered as new and high technology enterprises in Beijing, are entitled to concessionary income tax rates of 15% and 7.5%, where appropriate, which have been applied for both periods.

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000
Current – Mainland, the PRC	2,343	1,830	3,777	3,294

7. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share for the three months and six months ended 30 June 2008 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average of 100,017,528 (2007: 100,017,528) registered shares in issue during the period.

No diluted earnings per share have been presented as there was no diluting event existed during the three months and six months ended 30 June 2008 (2007: Nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

9. TRADE AND BILLS RECEIVABLES

Except for certain established customers of the Group for several instalment sales contracts entered into with payment terms ranging from two to four years, the credit period of the Group granted to its customers generally for a period ranging from 60 days to 90 days. The Group closely monitors overdue balances, and impairment 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 and bills receivables are interest-free.

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

	30 June 2008 Unaudited RMB'000	31 December 2007 Audited RMB'000
Within 3 months	39,453	25,917
4 to 6 months	3,604	4,938
7 to 12 months	1,820	5,854
1 to 2 years	2,940	1,016
Over 2 years	1,170	1,506
	48,987	39,231
Less: Impairment	(1,723)	(3,549)
	47,264	35,682
Less: Portion classified as current assets	(45,298)	(33,716)
Non-current portion	1,966	1,966

The carrying amounts of the trade and bills receivables approximate to their fair values.

Notes to the Condensed Consolidated Financial Statements (Continued)

10. SHARE CAPITAL

	30 June 2008 Unaudited RMB'000	31 December 2007 Audited RMB'000
Registered, issued and fully paid:		
67,017,528 domestic shares of RMB1 each	67,018	67,018
33,000,000 H shares of RMB1 each	33,000	33,000
	100,018	100,018

11. TRADE PAYABLES

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

	30 June 2008 Unaudited RMB'000	31 December 2007 Audited RMB'000
Within 3 months	8,003	6,767
4 to 6 months	1,912	-
7 to 12 months	171	353
1 to 2 years	291	179
Over 2 years	76	65
	10,453	7,364

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

12. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2008 (2007: Nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

13. COMMITMENTS

- (a) The Group had the following capital commitments in respect of plant and machinery at the balance sheet date:

	30 June 2008 Unaudited RMB'000	31 December 2007 Audited RMB'000
Authorised, but not contracted for	520	592
Contracted, but not provided for	7,630	3,073
	8,150	3,665

- (b) Pursuant to a research and development co-operation agreement (the "Research and Development Co-operation Agreement") dated 9 August 2004 entered into between the Group and the IBP, a shareholder of the Company, both parties will jointly engage in a pre-clinical research project for the development of a chemical drug, namely, Alprostadiol for Injection. Upon completion of such pre-clinical research, 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 will have to complete the co-development of the pre-clinical research according to the Research and Development Co-operation 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 would pay to the IBP to acquire the clinical research rights will be RMB2,500,000.
- (c) On 9 December 2004, the IBP and the Group 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 IBP (the "Reagent Technologies"). Pursuant to the Licensing Agreement, the Company is required to pay a fee of RMB500,000 per annum to the IBP for 20 years, commencing on the effective date of the Licensing Agreement. In addition, the IBP confirmed that it would not pursue any legal or economic obligations against the Company, which had used 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

14. RELATED PARTY TRANSACTIONS

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

	Note	Six months ended 30 June	
		2008 Unaudited RMB'000	2007 Unaudited RMB'000
Technical service fee paid	(i)	250	250

Note:

- (i) Details of the technical service fee paid are set out in note 13(c) to this Interim Report.
- (b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2008 Unaudited RMB'000	2007 Unaudited RMB'000
Short term employee benefits	3,464	3,359
Post-employment benefits	-	-
Total compensation paid to key management personnel	3,464	3,359

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

Other Information

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2008, the interest and short positions of the directors or supervisors 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")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as 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, were as follows:

Long position in shares of the Company

Name	Number of the Company's domestic shares held	Percentage of the Company's domestic shares	Percentage of the Company's total registered share capital
Mr. Wu Lebin (note)	1,000,000	1.5%	1.00%
Mr. Hou Quanmin (note)	150,000	0.2%	0.15%
Dr. Wang Lin (note)	100,000	0.1%	0.10%

Note: The directors are the registered holders and beneficial owners of the respective domestic shares.

Save as disclosed above, as at 30 June 2008, none of the directors or supervisors had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

Other Information (Continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2008, as far as is known to any directors and supervisors of the Company, the following interests of 5% or more of the issued capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares of the Company:

Name	Capacity and nature of interest	Number of the Company's shares held		Percentage of the Company's respective type of shares	Percentage of the Company's total registered capital
		Domestic Shares	H Shares		
The IBP	Directly beneficially owned	31,308,576	–	46.7%	31.3%
Beijing Enterprises Holdings High-Tech Development Co., Ltd. ("BEHT")	Directly beneficially owned	24,506,143	–	36.6%	24.5%
Beijing Enterprises Holdings Limited ("BEHL") (note)	Through a controlled corporation	24,506,143	–	36.6%	24.5%
Beijing Enterprises Group (BVI) Company Limited ("BE(BVI)") (note)	Through controlled corporations	24,506,143	–	36.6%	24.5%
北京控股集團有限責任公司 (Beijing Enterprises Group Company Limited) ("BEGC") (note)	Through controlled corporations	24,506,143	–	36.6%	24.5%
Chung Shek Enterprises Company Limited	Through controlled corporations	–	3,800,000	11.52%	3.8%
K.C. Wong Education Foundation	Directly beneficially owned	–	3,800,000	11.52%	3.8%
Pheim Asset Management (Asia) Pte Ltd	Through controlled corporations	–	3,050,000	9.24%	3.05%
Deutsche Bank Aktiengesellschaft	Through controlled corporations	–	1,840,000	5.58%	1.84%

Other Information (Continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Note: These domestic shares are registered in the name of BEHT. BEHL, BE(BVI) and BEGC are the immediate holding company, an intermediate holding company and the ultimate holding company of BEHT, respectively. Accordingly, each of them is deemed to be interested in the domestic shares of the Company owned by BEHT.

Save as disclosed above, as far as is known to any directors or supervisors of the Company, as at 30 June 2008, no person, other than the directors or supervisors of the Company, whose interests are set out in the section "Directors' and supervisors' interests in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' 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 subsidiaries any rights or options to acquire any shares in or debentures of the Company or had exercised any such rights as at 30 June 2008.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the period and up to the date of this announcement, none of the directors is 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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

Other Information (Continued)

COMPLIANCE ADVISER'S INTEREST

As updated and notified by the Company's compliance adviser, Guangdong Securities 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 or any member of the Group (including options or rights to subscribe for such securities) as at 30 June 2008 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to an agreement dated 24 June 2008 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 28 June 2008 to 31 March 2009 or until the agreement is terminated in accordance with the terms and conditions set out therein.

SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company has adopted the standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Director's securities transactions in securities of the Company. Having made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standards of dealings its code of conduct regarding securities transactions by Directors.

AUDIT COMMITTEE

The Company has established an audit committee 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 system. The Group's unaudited condensed consolidated financial statements for the period have been reviewed by the audit committee with the three independent non-executive directors of the Company, namely Dr. Rao Yi, Dr. Hua Sheng and Mr. Chan Yiu Kwong.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company always puts strong emphasis on the superiority, steadiness and rationality of corporate governance. Except for the deviation that Mr. Wu Lebin assumes the role of both the chairman of the Board and the president of the Company, the Company has complied with all the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the "Code") for the period ended 30 June 2008 by establishing a formal and transparent procedures to protect and maximise the interests of shareholders during the year under review, The Board is of the view that it is in the best interests of the Group to have Mr. Wu, who have vast and solid experience in the medical industry to perform the dual role so that the Board can have the benefits of a chairman who is knowledgeable about the business of the Group and is most capable to guide and brief the Board in a timely manner on pertinent issues.