



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)

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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 or deceptive; and (2) there are no other matters the omission of which would make any statement in this report misleading.

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CORPORATE INFORMATION

PRC OFFICE

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

HONG KONG OFFICE

66th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

WEBSITES

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

BOARD OF DIRECTORS

Chairman and Executive Director
Mr. Wu Lebin

Vice Chairman and Non-executive Director
Dr. Gao Guang Xia

Executive Directors
Dr. Wang Lin
Mr. Hou Quanmin

Non-executive Directors
Mr. Yao Fang
Mr. Qiao Zhicheng
Mr. Zuo Zhihui
Mr. Wang Fu Gen

Independent Non-executive Directors
Dr. Rao Yi
Dr. Hu Canwu Kevin
Mr. John Wong Yik Chung

SUPERVISORS

Dr. He Rongqiao
Mr. Shao Yimin
Ms. Guan Xiaohui

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
Number of H shares issued:	64,286,143 H shares
Nominal value:	RMB1.00 per H share
Stock short name:	Biosino Bio-Tec

GROUP PROFILE

Biosino Bio-Technology and Science Incorporation (“Biosino Bio-Tec” or the “Company”) is the leading supplier of in-vitro diagnostic reagents in the People’s Republic of China (“PRC” or “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 laid the solid business foundations of the Group in the medical industry in China, thus strengthening the Group for further development.

Equity holders of the parent 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. Our second largest shareholder is Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司) (“Fosun Pharmaceutical”, together with its subsidiaries, the “Fosun Pharmaceutical Group”), a PRC joint stock company whose A shares are listed on the Shanghai Stock Exchange and which is principally engaged in the manufacturing, research and development, wholesaling and retailing of pharmaceutical products. Our third largest shareholder is Beijing Enterprises Holdings Limited (“Beijing Enterprises”), a Hong Kong company whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and which together with its subsidiaries are utilities conglomerate with urban energy services as core business.

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 received at domestic hospitals and medical institutions.

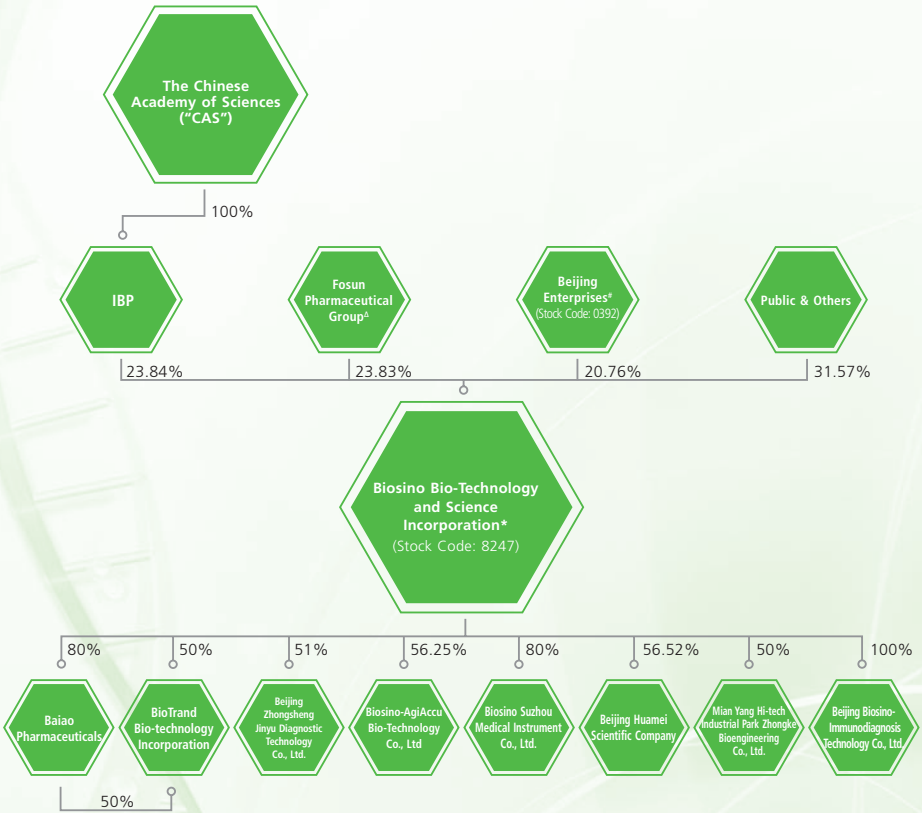
The Group ranked No. 1 in the conventional chemistry reagent market in China. Lumbrokinase capsule is included in the Drugs Catalogue of National Basic Medical Insurance (國家基本醫療保險藥品目錄) and Reimbursable Drugs Catalogue of Public Medical and Labour Insurance in Beijing Municipality (北京市公費醫療、勞保醫療用藥報銷範圍), showing that the Group’s products are highly recognised in the market.

In addition, a number of management members of the Group are professors in universities or holding doctorate degrees. Upholding our business principles of “By the people, for the people; advocating innovation; unquestionable quality pursuing perfection; genuine craftsmanship and lawful management”, our management strives to strengthen our overall competitiveness. Even some of them had research experience in the IBP. The solid scientific research background and ambition of our management, providing firm research foundations of Biosino Bio-Tec, are also advantageous to the long-term business development of the Group.

H shares of the Company have been listed on the Growth Enterprise Market (the “GEM”) of the Stock Exchange since 27 February 2006.

GROUP STRUCTURE

As at 30 June 2011



- * The H shares of Biosino Bio-Technology and Science Incorporation are listed on the GEM
- # The Shares of Beijing Enterprises are listed on the main board of the Stock Exchange
- Δ The 23.83% shareholding is held by the Fosun Pharmaceutical Group via Shanghai Fosun Pingyao Investment Management Company Limited (上海復星平耀投資管理有限公司) and Fosun Industrial Co., Limited (復星實業(香港)有限公司), both being wholly-owned subsidiaries of Fosun Pharmaceutical, as to 18.67% and 5.16% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW FOR THE FIRST HALF OF 2011

As the implementation of social insurance policies and new medical policy reform have gradually intensified, the product structure of the medical industry was adjusting and upgrading, whereas enterprises were adjusting their commercial model. The medical market in China continued to expand. In particular, the market for in-vitro diagnostic reagents experienced significant growth. Several policies in relation to the PRC medical industry and in-vitro diagnostic reagents were under improvement, yet with fiercer competition in the overall medical industry.

During the first half of 2011, the growth in revenue from the Group's sales of diagnostic reagent products maintained steady growth in general with a relatively high level of gross profit margin. However, the operating profit dropped as a result of the decrease in sales of pharmaceutical products and increasing research and development cost and ongoing market investments.

With regard to research and development, we have implemented major tasks in the first half of the year. Firstly, we are endeavor to prepare for laboratory authentication 17025 and striving to be the first domestic enterprise that passes the authentication. Secondly, we have completed development of four products such as Lipoprotein(a) Calibrator and Specific protein Calibrator and met standard requirements of the provincial Food and Drug Administration, expecting to obtain registration certificates in the beginning of next year. Thirdly, we cooperated with Abbott Laboratories on the expansion of applicable reagent apparatuses on 42 biochemical products and 2 reference products. We are currently changing registrations of those products and will soon obtain permission. Fourthly, we have completed development of assay kits such as Sodium Kit and Potassium Kit in the first half year and are currently preparing for registration. Fifthly, the Group has finished development and pre-clinical research of four Deafness gene mutation detection kits in the first half year, the kits are currently under systemic assessment. The Group expects to obtain registration certificates of 3 kinds of products next year so as to achieve a breakthrough in the molecular diagnostics sector.

FINANCIAL REVIEW FOR THE FIRST HALF OF 2011

Revenue for the six months ended 30 June 2011 was approximately RMB108 million, representing an increase of 3.1% as compared with approximately RMB105 million for the corresponding period last year. For the revenue of this period, approximately RMB86.1 million was generated from the sale of in-vitro diagnostic reagent products, accounting for 80% of the Group's total revenue and representing an increase of 16.9% as compared with RMB73.68 million for the corresponding period last year. As for pharmaceutical products, the revenue from the sale of Lumbrokinase capsules was RMB21.87 million, accounting for 20% of the Group's total revenue and representing a decrease of 29.5% as compared with RMB31.03 million for the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2011, profit before tax amounted to RMB8.6 million, representing a decrease of 34.1% over the corresponding period last year.

Profit attributable to shareholders of the Company for the six months ended 30 June 2011 was RMB6.2 million, representing a decrease of 39.4% as compared with RMB10.24 million for the corresponding period last year, which were mainly attributable to the decrease in sales of pharmaceutical products and an overall increase in the cost of production.

PROSPECT AND OUTLOOK

Looking forward, the Group is establishing a technology innovation system by forming the own innovation capabilities to build up the industry chain of in-vitro diagnostic reagents, which will enhance the core competitiveness of the Group. These tasks are expected to improve the business development and operating results of the Group in the future. As our instruments, immune diagnostic reagents and molecular diagnostics have obtained the registration certificates, the product structure of the Group will continue to be optimized, resulting in a well-developed commercial model.

The Board believes the introduction and implementation of the PRC medical industry reform will improve the market environment of the medical industry, generating new and bigger growth opportunities to the Group. The Group will proactively comply with the reform and endeavor to establish a competitive and sizable industry system, and emphasizes on our effort to strive for maximizing the interests of the shareholders.

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 used in operating activities was approximately RMB14 million. There were no new issue of shares and no bank borrowings were obtained during the period.

As at 30 June 2011, the Group had cash and bank balances of approximately RMB181 million (as at 31 December 2010: approximately RMB203 million). The Group had corporated bonds amounted to RMB21 million as at 30 June 2011 and RMB20 million as at 31 December 2010 respectively. Such bonds are denominated in Renminbi and at fixed interest rates. The Group was in a net cash position of approximately RMB160 million (as at 31 December 2010: approximately RMB183 million). The gearing ratio (defined as total interest bearing borrowings over the equity attributable to shareholders of the Company) was 7.5% (as at 31 December 2010: 6.9%).

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY RISK

The Group's businesses are located in the PRC and all transactions are denominated in Renminbi, except for the fact that the Group occasionally purchases equipment from overseas countries for resale in the PRC. 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 2011, the Group's buildings and land use right with the carrying amounts of RMB24,579,000 and RMB2,831,000 respectively were pledged to an independent third party in respect of the debt financing for Baiao Pharmaceuticals.

CONTINGENT LIABILITIES

As at 30 June 2011 and 31 December 2010, the Group did not have any contingent liabilities.

EMPLOYEE

On 30 June 2011, approximately 706 full-time employees (as at 31 December 2010: approximately 705) were employed by the Group. The total staff costs of the Group (including the directors' remunerations) for the six months ended 30 June 2011 amounted to approximately RMB28.6 million (2010: approximately RMB26.2 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, 12 August 2011

The Board of Directors (the "Board") of the Company announced the unaudited consolidated income statement of the Group for the three months and six months ended 30 June 2011 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2011, together with the comparative figures in 2010, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2011

	Notes	Three months ended 30 June		Six months ended 30 June	
		2011 Unaudited RMB'000	2010 Unaudited RMB'000	2011 Unaudited RMB'000	2010 Unaudited RMB'000
REVENUE	2, 3	61,031	59,770	107,930	104,706
Cost of sales		(23,633)	(18,672)	(42,273)	(33,103)
Gross profit		37,398	41,098	65,657	71,603
Other income and gains		590	365	2,197	2,022
Selling and distribution expenses		(16,288)	(12,828)	(26,330)	(26,209)
Administrative expenses		(10,885)	(13,919)	(22,982)	(24,432)
Research and development expenses		(5,268)	(5,092)	(9,293)	(9,445)
Other expenses		(12)	(5)	(12)	(5)
PROFIT FROM OPERATING ACTIVITIES	4	5,535	9,619	9,237	13,534
Finance costs	5	(201)	(109)	(460)	(271)
Share of losses of associates		(48)	(127)	(192)	(228)
PROFIT BEFORE TAX		5,286	9,383	8,585	13,035
Income tax expense	6	(1,348)	(1,659)	(2,189)	(2,439)
PROFIT FOR THE PERIOD		3,938	7,724	6,396	10,596
Attributable to:					
Owners of the parent		3,688	7,153	6,201	10,236
Non-controlling interests		250	571	195	360
		3,938	7,724	6,396	10,596
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	7				
– Basic (RMB)		0.037	0.072	0.062	0.102
– Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2011

	Three months ended 30 June		Six months ended 30 June	
	2011 Unaudited RMB'000	2010 Unaudited RMB'000	2011 Unaudited RMB'000	2010 Unaudited RMB'000
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,938	7,724	6,396	10,596
Attributable to:				
Owners of the parent	3,688	7,153	6,201	10,236
Non-controlling interests	250	571	195	360
	3,938	7,724	6,396	10,596

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
<i>Notes</i>		
ASSETS		
Non-current assets:		
Property, plant and equipment	110,895	102,723
Prepaid land lease payments	6,639	6,951
Goodwill	308	309
Other intangible assets	5,611	6,545
Investments in associates	2,539	2,731
	125,992	119,259
Current assets:		
Prepaid land lease payments	148	177
Inventories	36,347	31,674
Trade and bills receivables	48,257	40,669
Prepayments, deposits and other receivables	22,677	10,805
Time deposits	45,104	41,300
Cash and cash equivalents	135,752	161,710
	288,285	286,335
TOTAL ASSETS	414,277	405,594

	<i>Notes</i>	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent:			
Issued capital	10	131,304	131,304
Reserves		149,788	143,587
Proposed final dividend		-	13,130
		281,092	288,021
Non-controlling interests		36,982	36,487
Total equity		318,074	324,508
Non-current liabilities:			
Deferred income		13,118	11,785
Corporate bonds		20,647	19,801
Total non-current liabilities		33,765	31,586
Current liabilities:			
Trade payables	11	14,723	10,592
Other payables and accruals		44,949	37,858
Taxes payable		2,766	1,050
Total current liabilities		62,438	49,500
Total liabilities		96,203	81,086
TOTAL EQUITY AND LIABILITIES		414,277	405,594

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the parent							
	Issued capital Unaudited RMB'000	Capital reserves [#] Unaudited RMB'000	Statutory reserves Unaudited RMB'000	Retained Profits Unaudited RMB'000	Proposed	Total Unaudited RMB'000	Non- controlling interests Unaudited RMB'000	Total equity Unaudited RMB'000
					final dividend			
					Unaudited RMB'000			
At 1 January 2010	100,018	31,126	32,308	34,543	13,502	211,497	27,027	238,524
Total comprehensive income for the period	-	-	-	10,236	-	10,236	360	10,596
Final 2009 dividend	-	-	-	-	(13,502)	(13,502)	-	(13,502)
Capital contributions from non-controlling interests	-	-	-	-	-	-	4,001	4,001
At 30 June 2010	100,018	31,126	32,308	44,779	-	208,231	31,388	239,619
At 1 January 2011	131,304	62,219 [#]	35,843 [#]	45,525 [#]	13,130	288,021	36,487	324,508
Total comprehensive income for the period	-	-	-	6,201	-	6,201	195	6,396
Final 2010 dividend	-	-	-	-	(13,130)	(13,130)	-	(13,130)
Capital contributions from non-controlling interests	-	-	-	-	-	-	300	300
At 30 June 2011	131,304	62,219 [#]	35,843 [#]	51,726 [#]	-	281,092	36,982	318,074

[#] 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 RMB149,788,000 and RMB143,587,000 in the consolidated statement of financial position as at 30 June 2011 and 31 December 2010, respectively.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 Unaudited RMB'000	2010 Unaudited RMB'000
Net cash (outflow)/inflow from operating activities	(13,995)	13,438
Net cash outflow from investing activities	(9,095)	(5,404)
Net cash (outflow)/inflow from financing activities	(2,868)	8,792
(Decrease)/increase in cash and cash equivalents	(25,958)	16,826
Cash and cash equivalents at beginning of period	161,710	95,345
Cash and cash equivalents at end of period	135,752	112,171

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 2011 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. 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 2010.

2. SEGMENT INFORMATION

For management purposes, the group is organised into business units based on their products and has two reportable operating segments 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.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments.

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

The following tables present revenue and profit information regarding for the Group's operating segments for each of the six months ended 30 June 2011 and 2010:

Six months ended 30 June 2011

	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	86,056	21,874	–	107,930
Other income	1,512	253	–	1,765
Total	87,568	22,127	–	109,695
Segment results	10,644	(1,839)	–	8,805
Interest income				432
Profit from operating activities				9237
Finance costs				(460)
Share of losses of associates	(192)	–	–	(192)
Profit before tax				8,585
Income tax expense				(2,189)
Profit for the period				6,396

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2010

	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	73,679	31,027	–	104,706
Other income	1,520	19	–	1,539
Total	75,199	31,046	–	106,245
Segment results	10,587	2,464	–	13,051
Interest income				483
Profit from operating activities				13,534
Finance costs				(271)
Share of losses of associates	(228)	–	–	(228)
Profit before tax				13,035
Income tax expense				(2,439)
Profit for the period				10,596

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2011 is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2011 Unaudited RMB'000	2010 Unaudited RMB'000	2011 Unaudited RMB'000	2010 Unaudited RMB'000
Sale of in-vitro diagnostic reagent products	50,014	43,117	86,056	73,679
Sale of pharmaceutical products	11,017	16,653	21,874	31,027
	61,031	59,770	107,930	104,706

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	
	2011 Unaudited RMB'000	2010 Unaudited RMB'000	2011 Unaudited RMB'000	2010 Unaudited RMB'000
Depreciation	3,117	3,315	6,233	6,584
Amortisation of know-how	242	22	483	299
Amortisation of prepaid land lease payments	44	44	87	87

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2011 Unaudited RMB'000	2010 Unaudited RMB'000	2011 Unaudited RMB'000	2010 Unaudited RMB'000
Interests on interest-bearing bank loans and corporate bonds	201	109	460	271

6. INCOME TAX EXPENSE

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 2011 (2010: Nil). Taxes on profits assessable in the PRC, where the Group operates, have been calculated at the rates of tax prevailing in the PRC, 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 rate of 15%, where appropriate.

	Three months ended 30 June		Six months ended 30 June	
	2011 Unaudited RMB'000	2010 Unaudited RMB'000	2011 Unaudited RMB'000	2010 Unaudited RMB'000
Current – Mainland, the PRC	1,348	1,659	2,189	2,439

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 2011 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average number of 131,303,671 (2010: 100,017,528) ordinary 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 2011 (2010: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: 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 180 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, is as follows:

	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
Within 3 months	40,077	35,432
4 to 6 months	5,260	3,292
7 to 12 months	975	1,933
1 to 2 years	1,945	12
	48,257	40,669
Portion classified as current assets	(48,257)	(40,669)
Non-current portion	-	-

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. ISSUED CAPITAL

	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
Registered, issued and fully paid:		
67,017,528 domestic shares of RMB1 each	67,018	67,018
64,286,143 H shares of RMB1 each	64,286	64,286
	131,304	131,304

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 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
Within 3 months	12,177	9,884
4 to 6 months	745	273
7 to 12 months	348	202
1 to 2 years	911	17
Over 2 years	542	216
	14,723	10,592

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2011 (2010: Nil).

13. COMMITMENTS

- (a) The Group did not have any significant capital commitments in respect of plant and machinery as at 30 June 2011 (2010: Nil).
- (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, Alprostadil 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 would be RMB2,500,000.

On 12 April 2010, the Group and the IBP entered into a supplementary agreement to the above Research and Development Cooperation Agreement. Pursuant to this supplementary agreement, the Group paid RMB1,000,000 to the IBP during the year of 2010 and while the remaining RMB1,500,000 would be payable in the future years.

- (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
		2011 Unaudited RMB'000	2010 Unaudited RMB'000
	<i>Note</i>		
Technical service fee	(i)	250	250

Note:

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

		Six months ended 30 June	
		2011 Unaudited RMB'000	2010 Unaudited RMB'000
Short term employee benefits		3,754	3,571
Post-employment benefits		143	158
Total compensation paid to key management personnel		3,897	3,729

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

OTHER INFORMATION

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2011, 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 (<i>note</i>)	3,500,878	5.22%	2.67%
Mr. Hou Quanmin (<i>note</i>)	300,000	0.45%	0.23%
Dr. Wang Lin (<i>note</i>)	200,000	0.30%	0.15%

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

Save as disclosed above, as at 30 June 2011, 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.

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

At 30 June 2011, 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:

OTHER INFORMATION

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	Domestic Shares	H Shares	
IBP	Directly beneficially owned	31,308,576	–	46.72%	0.00%	23.84%
Shanghai Fosun Pingyao Investment Management Company Limited [#]	Directly beneficially owned	24,506,143	–	36.57%	0.00%	18.67%
Shanghai Fosun Pharmaceutical (Group) Co., Ltd. [#]	Through controlled corporations	24,506,143	6,780,000	36.57%	10.55%	23.83%
Shanghai Fosun High Technology (Group) Co., Ltd. [#]	Through controlled corporations	24,506,143	6,780,000	36.57%	10.55%	23.83%
Fosun International Limited [#]	Through controlled corporations	24,506,143	6,780,000	36.57%	10.55%	23.83%
Fosun Holdings Limited [#]	Through controlled corporations	24,506,143	6,780,000	36.57%	10.55%	23.83%
Fosun International Holdings Ltd. [#]	Through controlled corporations	24,506,143	6,780,000	36.57%	10.55%	23.83%
Guo Guangchang [#]	Through controlled corporations	24,506,143	6,780,000	36.57%	10.55%	23.83%
Fosun Industrial Co., Limited [#]	Directly beneficially owned	–	6,780,000	0.00%	10.55%	5.16%
Beijing Enterprises Holdings Limited [*]	Directly beneficially owned	–	27,256,143	0.00%	42.40%	20.76%
Beijing Enterprises Group Company Limited	Through controlled corporations	–	27,256,143	0.00%	42.40%	20.76%

OTHER INFORMATION

- # Each of Shanghai Fosun Pingyao Investment Management Company Limited (“Fosun Pingyao”) and Fosun Industrial Co., Limited (“Fosun Industrial”) is a wholly-owned subsidiary of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (“Fosun Pharmaceutical”). Fosun Pharmaceutical is in turn held by 48.05% and 0.01% by Shanghai Fosun High Technology (Group) Co., Ltd. (“Fosun Hi-Tech”) and Mr. Guo Guangchang respectively. Fosun Hi-Tech is wholly-owned by Fosun International Limited (“Fosun International”) which is in turn held by Fosun Holdings Limited (“Fosun Holdings”) as to 78.24%. Fosun Holdings is wholly-owned by Fosun International Holdings Ltd. (“Fosun International Holdings”) which is in turn held by Mr. Guo Guangchang as to 58%. Pursuant to the SFO, each of Fosun Pharmaceutical, Fosun Hi-Tech, Fosun International, Fosun Holdings, Fosun International Holdings and Mr. Guo Guangchang is deemed to be interested in the 24,506,143 domestic shares held by Fosun Pingyao and the 6,780,000 H shares held by Fosun Industrial.
- * Beijing Enterprises Group Company Limited is the ultimate holding company of Beijing Enterprises Holdings Limited. Accordingly, it is deemed to be interested in the H shares owned by Beijing Enterprises Holdings Limited.

Save as disclosed above, as far as is known to any directors or supervisors of the Company, as at 30 June 2011, 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 2011.

DIRECTORS’ INTERESTS IN A COMPETING BUSINESS

During the period and up to the date of this report, none of the directors who 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 GEM Listing Rules.

OTHER INFORMATION

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 2011.

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 Directors' 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. Hu Canwu Kevin and Mr. John Wong Yik Chung.

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 2011 by establishing a formal and transparent procedures to protect and maximise the interests of the shareholders during the period under review. The Board is of the view that it is in the best interests of the Group to have Mr. Wu, who has 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.