



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)



Interim Report **2012**

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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

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Beijing, PRC

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Wanchai, Hong Kong

WEBSITES

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

BOARD OF DIRECTORS

Chairman and Executive Director
Mr. Wu Lebin

Vice Chairmen and Non-executive Directors
Dr. Gao Guang Xia
Dr. Qiao Zhicheng

Executive Directors
Dr. Wang Lin
Mr. Hou Quanmin

Non-executive Directors
Mr. Yao Fang
Mr. Wang Fu Gen
Ms. Zhang Yinge

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

AUDIT COMMITTEE

Dr. Rao Yi (*Chairman*)
Dr. Hu Canwu Kevin
Mr. John Wong Yik Chung

REMUNERATION COMMITTEE

Dr. Rao Yi (*Chairman*)
Dr. Hu Canwu Kevin
Mr. John Wong Yik Chung

NOMINATION COMMITTEE

Dr. Hu Canwu Kevin (*Chairman*)
Dr. Rao Yi
Mr. John Wong Yik Chung
Mr. Wu Lebin

COMPANY SECRETARY

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

CORPORATE INFORMATION

QUALIFIED ACCOUNTANT

Mr. Cheung Yeung CPA

AUTHORISED REPRESENTATIVES

Mr. Wu Lebin
Mr. Tung Woon Cheung Eric

COMPLIANCE OFFICER

Mr. Wu Lebin

AUDITORS

Ernst & Young

LEGAL ADVISERS

As to Hong Kong law:
Li & Partners

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 H SHARES

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, manufacturing, sale and distribution of in-vitro diagnostic reagents products, and providing hospital and other medical institutions with quality and reliable diagnostic reagents products.

The major equity holders of the Company have strong background. Our largest shareholder, the Institute of Biophysics of the Chinese Academy of Sciences (the “IBP”), is the leading research institution in life sciences in the PRC. 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.

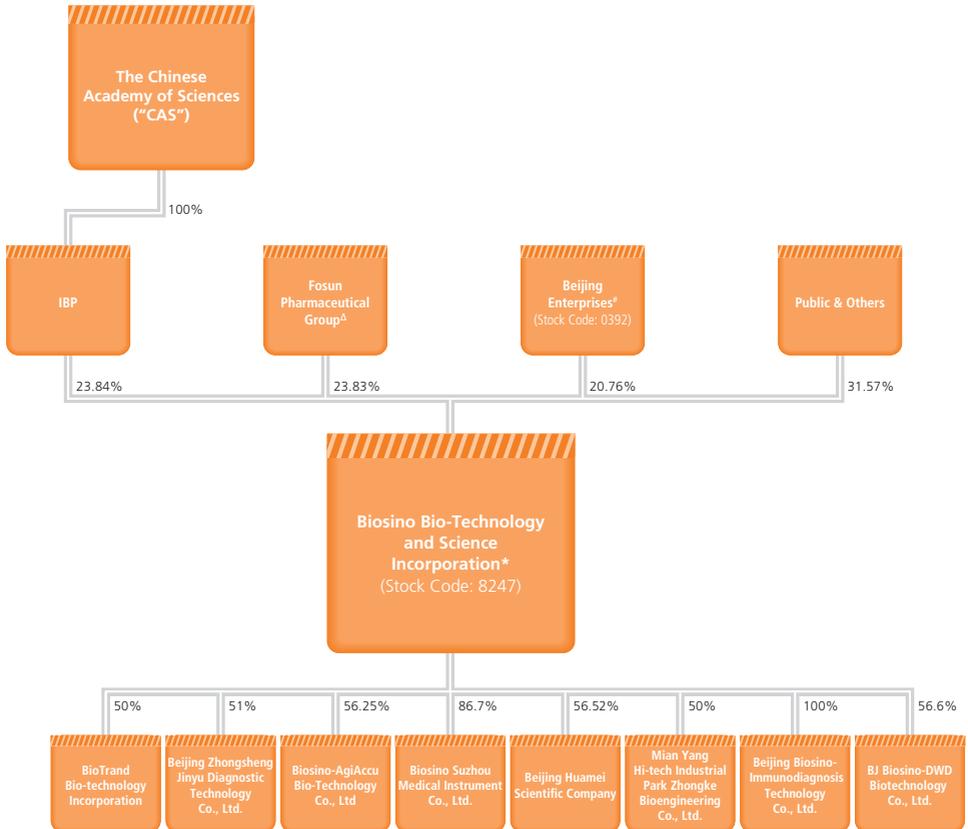
The “Biosino” brand of the Group is well-known in the industry. “Biosino” was awarded as “Renowned Beijing Brand”(北京名牌產品) in 2002 and was awarded “No. 1 Brand with High Quality and Reputation in the In-vitro Diagnostic Reagent Market of the PRC”(中國診斷試劑市場用戶滿意質量信譽第一品牌) in 2005, and it is highly recognised 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 autonomous regions with more than 600 distributors. The Group’s diagnostic reagents products are well received at domestic hospitals and medical institutions.

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 operation”, our management strives to strengthen our overall competitiveness. The solid scientific research background and aspiration of our management team members, some of whom had research experience in the IBP, laid down firm research foundation of Biosino Bio-Tec, which is 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 2012



* 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 2012

Despite the disposal of Beijing Baiao Pharmaceuticals Co., Ltd. (“Baiao Pharmaceuticals”), the overall sales of the Group from January to June were satisfactory. The Group’s sales of diagnostic reagent products maintained steady growth with a relatively high level of gross profit margin.

The Company and Abbott, a leading global diversified health care company, duly entered into a co-operation project to sell and distribute biochemical reagents. The execution of the agreement will not only provide bio-chemical agents with traceable properties and cost advantage for customers but will also significantly enhance the ease of operation for laboratory customers in using these agents. Meanwhile, the Company and Cangzhou Enji Bioproduct Co., Ltd. jointly contributed to establish Zhongen (Tianjin) Nutrient Co., Ltd (中恩(天津)營養品有限公司), which specializes in the research and development, production and sales of medical nutrients and at the same time involves in special nutritional products like treatment foods, relief foods, army foods and military foods. With the improvement of people’s livelihood and pursuit of better living standard, the Company will surely generate better economic benefits and provide better services to the community.

For its research and development, the deafness gene mutation detection kit (ARMS-PCR) developed by Biosino has successfully passed the examinations from the government’s food and drug administration department. It is another significant achievement since the Company has entered into the molecular diagnostic products sector. The launching of the products will surely bring better economic and social benefits. Meanwhile, the Company obtained the patent of “bovine serum cholesterol standard substance and its application”(牛血清膽固醇標準物質及其應用). This standard substance is of limited matrix effects and can be used as a suitable standard product for clinical laboratory cholesterol testing to improve its accuracy. It provides references for both the assessment for indoor quality control and inter-laboratory quality of laboratory cholesterol testing and for the production of quality control products for factories. Furthermore, the Company has successfully developed new products like Homocysteine Detection Kit (同型半胱氨酸測定試劑盒), Lp(a) Latex Calibrator (脂蛋白a校準品) and Sodium Detection Kit (鈉離子測定試劑盒) and are under technical assessment and approval.

FINANCIAL REVIEW FOR THE FIRST HALF OF 2012

Revenue for the six months ended 30 June 2012 was approximately RMB96 million, representing an increase of 11.3% as compared with approximately RMB86 million for the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2012, profit before tax amounted to RMB13.6 million, representing an increase of 25.2% over the corresponding period last year.

Profit attributable to shareholders of the Company for the six months ended 30 June 2012 was RMB5.3 million, representing a decrease of 14.3% as compared with RMB6.2 million for the corresponding period last year which was mainly attributable to the disposal of Baiao Pharmaceuticals and as a result the Group is no longer engaged in sale of pharmaceutical products.

PROSPECT AND OUTLOOK

For 2012, with China's economy continues to develop and the establishment of universal medical insurance system, the increase in government spendings on medical industry and the escalating demand in healthcare by people will promote China's pharmaceutical industry into a new development period in the long run, as such, the operating atmosphere and market sentiment of the industry was further improved. Coupled with the substantive benefits in the pharmaceutical sector from the launching and implementation of new medical reform policies, the clinical diagnostics industry will still be one of the fast-growing industries in the PRC.

The Board is confident in turning the Group into a leading enterprise in the health enhancing protein industry with self-owned intellectual property rights and international competitive edges in the PRC, and also sincerely hopes that we can achieve excellent business performance and maximise the returns to all our 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 generated from operating activities was approximately RMB17 million. There were no new issue of shares and no bank borrowings were obtained during the period.

As at 30 June 2012, the Group had cash and bank balances of approximately RMB128 million (as at 31 December 2011: approximately RMB133 million). The Group had unsecured bank loan amounted to RMBNil as at 30 June 2012 and RMB30 million as at 31 December 2011 respectively. The Group was in a net cash position of approximately RMB128 million (as at 31 December 2011: approximately RMB103 million). The gearing ratio (defined as total interest bearing borrowings over the equity attributable to shareholders of the Company) was not applicable (as at 31 December 2011: 10.3%).

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 2012, the Group did not have any assets being pledged.

CONTINGENT LIABILITIES

As at 30 June 2012 and 31 December 2011, the Group did not have any contingent liabilities.

EMPLOYEE

On 30 June 2012, approximately 590 full-time employees (as at 31 December 2011: approximately 718) were employed by the Group. The total staff costs of the Group (including the directors' remunerations) for the six months ended 30 June 2012 amounted to approximately RMB20.2 million (2011: approximately RMB28.6 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, 14 August 2012

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 2012 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012, together with the comparative figures in 2011, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2012

		Three months ended 30 June		Six months ended 30 June	
		2012	2011	2012	2011
		Unaudited	Unaudited	Unaudited	Unaudited
<i>Notes</i>		RMB'000	RMB'000	RMB'000	RMB'000
CONTINUING OPERATIONS					
REVENUE	2, 3	54,790	50,014	95,794	86,056
Cost of sales		(23,377)	(20,984)	(40,448)	(36,834)
<hr/>					
Gross profit		31,413	29,030	55,346	49,222
Other income and gains		4,499	338	12,309	1,944
Selling and distribution expenses		(11,876)	(8,571)	(18,126)	(14,046)
Administrative expenses		(11,875)	(8,808)	(23,752)	(17,635)
Research and development expenses		(4,314)	(4,373)	(9,668)	(8,398)
Other expenses		(521)	6	(521)	(11)
<hr/>					
PROFIT FROM OPERATING					
ACTIVITIES FROM					
CONTINUING OPERATIONS	4	7,326	7,622	15,588	11,076
Finance costs	5	(368)	-	(869)	(3)
Share of profit/(losses) of associates		1,061	(48)	(1,099)	(192)

		Three months ended 30 June		Six months ended 30 June	
		2012 Unaudited RMB'000	2011 Unaudited RMB'000	2012 Unaudited RMB'000	2011 Unaudited RMB'000
	<i>Notes</i>				
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		8,019	7,574	13,620	10,881
Income tax expense	6	(6,063)	(1,348)	(6,551)	(2,189)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		1,956	6,226	7,069	8,692
DISCONTINUED OPERATION					
Loss for the period from a discontinued operation		-	(2,288)	(2,046)	(2,296)
PROFIT FOR THE PERIOD		1,956	3,938	5,023	6,396
Attributable to:					
Owners of the parent		1,509	3,688	5,314	6,201
Non-controlling interests		447	250	(291)	195
		1,956	3,938	5,023	6,396
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY					
- Basic (RMB)	7	0.01	0.03	0.04	0.05
- 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 2012

	Three months ended 30 June		Six months ended 30 June	
	2012 Unaudited RMB'000	2011 Unaudited RMB'000	2012 Unaudited RMB'000	2011 Unaudited RMB'000
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,956	3,938	5,023	6,396
Attributable to:				
Owners of the parent	1,509	3,688	5,314	6,201
Non-controlling interests	447	250	(291)	195
	1,956	3,938	5,023	6,396

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
<i>Notes</i>		
ASSETS		
Non-current assets:		
Property, plant and equipment	88,015	86,142
Prepaid land lease payments	3,634	3,634
Goodwill	309	309
Other intangible assets	10,397	11,294
Investment in a jointly-controlled entity	28,744	29,852
Investments in associates	2,361	2,361
Deferred tax assets	295	295
	133,755	133,887
Total non-current assets		
Current assets:		
Prepaid land lease payments	75	105
Inventories	35,749	32,315
Trade and bills receivables	36,304	34,343
Prepayments, deposits and other receivables	27,250	11,876
Available-for-sale investments	30,000	–
Cash and cash equivalents	128,147	133,489
Assets of a disposal group classified as held for sale	–	110,549
	257,525	322,667
Total current assets		
	391,280	456,564
TOTAL ASSETS		

		30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
	<i>Notes</i>		
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent:			
Issued capital	<i>10</i>	131,304	131,304
Reserves		153,281	147,967
Proposed final dividend		–	13,130
		284,585	292,401
Non-controlling interests		27,939	39,305
Total equity		312,524	331,706
Non-current liability:			
Deferred income		11,571	10,675
Current liabilities:			
Trade payables	<i>11</i>	15,043	9,393
Other payables and accruals		45,430	44,282
Interest-bearing bank borrowing		–	30,000
Taxes payable		6,712	784
Liabilities directly associated with the assets classified as held for sale		–	29,724
Total current liabilities		67,185	114,183
Total liabilities		78,756	124,858
TOTAL EQUITY AND LIABILITIES		391,280	456,564

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the parent							
	Issued capital	Capital reserves	Statutory reserves	Retained Profits	Proposed		Non- controlling interests	Total equity
					final	Total		
					dividend	Unaudited		
Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
At 1 January 2012	131,304	61,773	38,624	47,570	13,130	292,401	39,305	331,706
Total comprehensive income/(loss) for the period	-	-	-	5,314	-	5,314	(291)	5,023
Final 2011 dividend	-	-	-	-	(13,130)	(13,130)	-	(13,130)
Disposal of a subsidiary	-	(12,961)	(8,385)	21,346	-	-	(11,075)	(11,075)
At 30 June 2012	131,304	48,812 [†]	30,239 [†]	74,230 [†]	-	284,585	27,939	312,524

[†] These reserve accounts comprise the consolidated reserves of RMB153,281,000 and RMB147,967,000 in the consolidated statement of financial position as at 30 June 2012 and 31 December 2011, respectively.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 Unaudited RMB'000	2011 Unaudited RMB'000
Net cash inflow/(outflow) from operating activities	17,115	(13,995)
Net cash inflow/(outflow) from investing activities	8,001	(9,095)
Net cash outflow from financing activities	(30,458)	(2,868)
Decrease in cash and cash equivalents	(5,342)	(25,958)
Cash and cash equivalents at beginning of period	133,489	161,710
Cash and cash equivalents at end of period	128,147	135,752

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 2012 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 2011.

2. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services.

Pursuant to the equity transfer agreement entered into on 12 November 2011 and the resolution made by the extraordinary general meeting of the Company's shareholders held on 15 February 2012, the Company has disposed Baiao Pharmaceuticals, a subsidiary of the Company, which is principally engaged in manufacturing, selling and distribution of pharmaceutical products. As Baiao Pharmaceuticals has been classified as a disposal group held for sale and its results have been presented as a discontinued operation, for the current period the group has one reportable operating segment: the in-vitro diagnostic reagent products segment, which manufactures, sells and distributes a variety of mono/double diagnostic reagent products.

Management monitors the operating results of its business units as a whole for the purpose of making decisions about resources allocation of performance assessment. All of the Group's revenue from external customers and profits from continuing operations are generated from this single segment.

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.

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

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	
	2012 Unaudited RMB'000	2011 Unaudited RMB'000	2012 Unaudited RMB'000	2011 Unaudited RMB'000
Depreciation	1,441	1,982	2,881	3,964
Amortisation of know-how	419	148	837	296
Amortisation of prepaid land lease payments	44	44	87	87

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2012 Unaudited RMB'000	2011 Unaudited RMB'000	2012 Unaudited RMB'000	2011 Unaudited RMB'000
Interests on bank loans wholly repayable within 5 years	368	-	869	3

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

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 2012 (2011: 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	
	2012 Unaudited RMB'000	2011 Unaudited RMB'000	2012 Unaudited RMB'000	2011 Unaudited RMB'000
Current – Mainland, the PRC	6,063	1,348	6,551	2,189

**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 2012 is based on the unaudited profit attributable to shareholders of the Company for the period and the weighted average number of 131,303,671 (2011: 131,303,671) 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 2012 (2011: Nil).

8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Within 3 months	29,543	31,600
4 to 6 months	4,412	1,543
7 to 12 months	1,953	435
1 to 2 years	396	765
	36,304	34,343

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 2012 Unaudited RMB'000	31 December 2011 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 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Within 3 months	13,996	7,250
4 to 6 months	130	242
7 to 12 months	70	534
1 to 2 years	764	1,330
Over 2 years	83	37
	15,043	9,393

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 2012 (2011: Nil).

13. COMMITMENTS

- (a) The Group did not have any significant capital commitments in respect of plant and machinery as at 30 June 2012 (2011: 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	
		2012	2011
		Unaudited RMB'000	Unaudited RMB'000
	Note		
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	
		2012	2011
		Unaudited RMB'000	Unaudited RMB'000
Short term employee benefits		4,780	3,754
Post-employment benefits		205	143
Total compensation paid to key management personnel		4,985	3,897

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 2012, 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 2012, 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

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

At 30 June 2012, 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, or as otherwise notified to the Company and the Stock Exchange:

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 2012, 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, or as otherwise notified to the Company and the Stock Exchange.

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 2012.

COMPETING INTERESTS

During the period and up to the date of this report, none of the directors, supervisors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has an interest in any business that competes or may compete, either directly or indirectly, with the business of the Group, nor any conflicts of interest which has or may have with the Group.

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 2012.

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 2012 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.