



Extrawell Pharmaceutical Holdings Limited

incorporated in Bermuda with limited liability

新加坡成發藥業有限公司
Singapore Extrawell Pharmaceuticals Co., Ltd.



The board of directors (the "Directors") of Extrawell Pharmaceutical Holdings Limited (the "Company") announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2003. A summary extract of this interim financial report is published in a press announcement on 29 December 2003.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

	Notes	For the six months ended 30 September	
		2003 HK\$'000	2002 HK\$'000
TURNOVER	2	94,621	104,838
Cost of sales		<u>(53,233)</u>	<u>(46,348)</u>
Gross profit		41,388	58,490
Other revenue		6,328	12,847
Selling and distribution costs		(9,570)	(14,325)
Administrative expenses		(14,214)	(14,378)
Other operating expenses, net		(2,619)	–
PROFIT FROM OPERATING ACTIVITIES	4	21,313	42,634
Finance costs	5	(1,768)	(1,570)
PROFIT BEFORE TAX		19,545	41,064
Tax	6	(2,673)	(1,569)
PROFIT BEFORE MINORITY INTERESTS		16,872	39,495
Minority interests		(3,591)	(15,771)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		13,281	23,724
Dividend	7	–	–
EARNINGS PER SHARE	8		
– Basic		HK0.58 cent	HK1.06 cents
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) At 30 September 2003 HK\$'000	(Audited) At 31 March 2003 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets		119,682	120,852
Intangible assets		198,910	186,997
Investment in a jointly-controlled entity		–	–
Investment in an associate		8,974	8,974
Deposits paid		–	26,755
Deferred tax assets		1,771	1,771
		<u>329,337</u>	<u>345,349</u>
CURRENT ASSETS			
Inventories		14,596	12,004
Accounts receivable	9	118,543	132,517
Prepayments, deposits and other receivables		51,880	24,734
Due from a related company	10	–	7,912
Pledged bank deposits		13,270	23,613
Cash and bank balances		59,835	56,045
		<u>258,124</u>	<u>256,825</u>
CURRENT LIABILITIES			
Accounts and bills payable	11	1,989	5,104
Tax payable		5,316	9,088
Accrued liabilities and other payables		27,864	23,034
Interest-bearing bank borrowings	12	55,130	62,793
		<u>90,299</u>	<u>100,019</u>
NET CURRENT ASSETS			
		<u>167,825</u>	<u>156,806</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>497,162</u>	<u>502,155</u>
NON-CURRENT LIABILITIES			
Due to a minority equity holder	13	18,868	18,868
Promissory notes	14	–	15,000
Deferred tax liabilities		2,923	2,059
		<u>21,791</u>	<u>35,927</u>
MINORITY INTERESTS			
		<u>128,488</u>	<u>132,626</u>
		<u>346,883</u>	<u>333,602</u>
CAPITAL AND RESERVES			
Issued capital	15	22,900	22,900
Reserves		323,983	310,702
		<u>346,883</u>	<u>333,602</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Con- tributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2002, as previously reported (audited)	21,700	82,459	2,068	4,839	116,139	227,205
Effect of adoption of revised SSAP 12 "Income taxes" (unaudited)	-	-	-	-	679	679
At 1 April 2002, as restated (unaudited)	21,700	82,459	2,068	4,839	116,818	227,884
Issue of shares (unaudited)	1,200	52,800	-	-	-	54,000
Share issue expenses (unaudited)	-	(1,542)	-	-	-	(1,542)
Net profit for the period (unaudited)	-	-	-	-	23,724	23,724
At 30 September 2002 (unaudited)	<u>22,900</u>	<u>133,717</u>	<u>2,068</u>	<u>4,839</u>	<u>140,542</u>	<u>304,066</u>
At 1 April 2003, as previously reported (audited)	22,900	133,717	3,708	4,839	167,688	332,852
Effect of adoption of revised SSAP 12 "Income taxes" (unaudited)	-	-	-	-	750	750
At 1 April 2003, as restated (unaudited)	22,900	133,717	3,708	4,839	168,438	333,602
Net profit for the period (unaudited)	-	-	-	-	13,281	13,281
At 30 September 2003 (unaudited)	<u>22,900</u>	<u>133,717</u>	<u>3,708</u>	<u>4,839</u>	<u>181,719</u>	<u>346,883</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	17,565	(1,988)
Net cash inflow from investing activities	12,883	41,337
Net cash outflow from financing activities	(26,773)	(11,515)
INCREASE IN CASH AND CASH EQUIVALENTS	3,675	27,834
Cash and cash equivalents at beginning of period	58,247	56,208
CASH AND CASH EQUIVALENTS AT END OF PERIOD	61,922	84,042
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	59,835	61,433
Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities	13,270	22,609
Bank overdrafts	(11,183)	–
	61,922	84,042

Notes:

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have not been audited by the Company's auditors but have been reviewed by the Company's Audit Committee.

The Directors are responsible for the preparation of the Group's unaudited condensed consolidated interim financial statements. In preparing these unaudited condensed consolidated interim financial statements, the Directors confirm that the accounting policies and method of computation applied are consistent with those used in the audited consolidated financial statements for the year ended 31 March 2003 except that the Group has adopted Hong Kong Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants for the first time in the preparation of this interim financial statements.

SSAP 12 (Revised) "Income taxes" prescribed the basis for accounting for income taxes payables or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP is that deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognized for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallize in the foreseeable future.

The adoption of the revised SSAP 12 represents a change in the accounting policy, which has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy. The change in accounting policy has resulted in an increase in the Group's deferred tax liabilities as at 30 September 2003 and 31 March 2003 by HK\$2,923,000 and HK\$2,059,000, respectively, and an increase in the Group's deferred tax assets as at 30 September 2003 and 31 March 2003 by HK\$1,771,000. As a consequence, the Group's net profit from ordinary activities attributable to shareholders for the period ended 30 September 2003 have been decreased by HK\$864,000 (six months ended 30 September 2002: Nil), the Group's goodwill at 30 September 2003 and 31 March 2003 have been increased by HK\$1,038,000, and the consolidated retained profits at 1 April 2003 and 1 April 2002 have been increased by HK\$750,000 and HK\$679,000, respectively.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention and have been prepared in accordance with SSAP 25 "Interim financial reporting".

2. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and proceeds from the assignment of technical knowhow. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

3. SEGMENT INFORMATION

The following table presents revenue and results information for the Group's business segments.

	(Unaudited) Manufacturing		(Unaudited) Trading		(Unaudited) Gene development		(Unaudited) Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<u>50,982</u>	34,087	<u>41,565</u>	49,841	<u>2,074</u>	20,910	<u>94,621</u>	104,838
Segment results	<u>18,605</u>	11,976	<u>3,531</u>	13,573	<u>1,558</u>	22,062	<u>23,694</u>	47,611
Interest income							238	469
Unallocated expenses							<u>(2,619)</u>	<u>(5,446)</u>
Profit from operating activities							<u>21,313</u>	42,634
Finance costs							<u>(1,768)</u>	<u>(1,570)</u>
Profit before tax							<u>19,545</u>	41,064
Tax							<u>(2,673)</u>	<u>(1,569)</u>
Profit before minority interests							<u>16,872</u>	39,495
Minority interests							<u>(3,591)</u>	<u>(15,771)</u>
Net profit from ordinary activities attributable to shareholders							<u>13,281</u>	<u>23,724</u>

No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China.

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	(Unaudited)	
	For the six months	
	ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Cost of inventories sold	53,233	46,348
Depreciation	4,627	4,555
Exchange losses, net	121	508
Amortisation of intangible assets	5,111	4,365
Gain on disposal of fixed assets and intangible assets, net	(3,057)	(1,018)
Interest income on bank balances	(238)	(469)
	=====	=====

5. FINANCE COSTS

	(Unaudited)	
	For the six months	
	ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Interest expense on:		
Bank overdrafts and loans		
wholly repayable within five years	1,719	1,570
Promissory notes	49	–
	=====	=====
	1,768	1,570
	=====	=====

6. TAX

	(Unaudited)	
	For the six months	
	ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Current – Outside Hong Kong	1,809	1,569
Deferred tax	864	–
	=====	=====
	2,673	1,569
	=====	=====

No provision for Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the period ended 30 September 2003 (six months ended 30 September 2002: Nil). Taxes on profits of subsidiaries operating outside Hong Kong during the period have been calculated at the rates of taxes applicable in the respective jurisdictions, based on existing legislation, interpretations and practices.

7. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the period (six months ended 30 September 2002: Nil).

8. EARNINGS PER SHARE

Basic

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$13,281,000 (six months ended 30 September 2002: HK\$23,724,000) and the weighted average of 2,290,000,000 (six months ended 30 September 2002: 2,246,721,311) ordinary shares in issue during the period.

Diluted

Diluted earnings per share for each of the six months ended 30 September 2002 and 2003 have not been calculated as no dilutive events existed during these two periods.

9. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly based on credit, except for new customers, where payment in advance is normally required. The credit period for customers of imported pharmaceutical products are generally 120 days. For customers of the manufacturing sector, credit terms are extended from 120 days to 180 days as sales are first directed to wholesalers for their distribution to end customers. For the gene chips manufacturing and development sector, the customers' credit terms, which are based on contracts, are ranging from 30 days to 365 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are regularly reviewed by senior management.

The ageing of the Group's accounts receivable is analysed as follows:

	(Unaudited) At 30 September 2003 HK\$'000	(Audited) At 31 March 2003 HK\$'000
Outstanding balances with ages:		
Within 90 days	55,336	91,225
91 to 180 days	17,620	27,064
181 to 365 days	34,713	14,127
1 to 2 years	20,426	11,217
Over 2 years	4,802	3,238
	132,897	146,871
Less: Provision for bad and doubtful debts	(14,354)	(14,354)
	118,543	132,517

10. DUE FROM A RELATED COMPANY

Particulars of the amount due from a related company disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follow:

	(Unaudited) At 30 September 2003 HK\$'000	(Unaudited) Maximum amount outstanding during the period HK\$'000	(Audited) At 31 March 2003 HK\$'000
Bioraise High-Tech Investment Ltd., Shanghai ("Bioraise")	—	7,912	7,912

The amount due from Bioraise, a related company in which both Dr. Mao Yu Min and Dr. Xie Yi have beneficial interests, represented advances made by the subsidiaries of Gene Generation Limited ("GGL") to finance the business activities of Bioraise prior to the Group's acquisition of GGL in July 2002.

The amount due from Bioraise bore interest at 2% per annum for the period up to 30 June 2003 and 5% per annum thereafter. Further, the amount due from Bioraise is guaranteed by Biowindow Gene Development (Hong Kong) Limited ("HK Biowindow") pursuant to a loan agreement entered into amongst Bioraise, HK Biowindow and Shanghai Biostar Genechip, Inc. dated 13 June 2002. Further details of the above transactions are set out in the circular of the Company dated 21 June 2002. The amount has been settled during the period under review.

11. ACCOUNTS AND BILLS PAYABLE

The ageing of the Group's accounts and bills payable is analysed as follows:

	(Unaudited) At 30 September 2003 HK\$'000	(Audited) At 31 March 2003 HK\$'000
Outstanding balances with ages:		
Within 90 days	94	5,075
91 to 180 days	1,895	8
181 to 365 days	—	9
1 to 2 years	—	9
Over 2 years	—	3
	<u>1,989</u>	<u>5,104</u>



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 Chongqing Biotech Pharmaceutical Co., Ltd.

12. INTEREST-BEARING BANK BORROWINGS

	(Unaudited) At 30 September 2003 HK\$'000	(Audited) At 31 March 2003 HK\$'000
Bank overdrafts	11,182	7,073
Trust receipt loans	4,498	8,077
Bank loans	39,450	47,643
	<u>55,130</u>	<u>62,793</u>

At 30 September 2003, the Group's banking facilities were supported by the following:

- (a) the pledge of the Group's fixed deposits of approximately HK\$13.2 million (31 March 2003: HK\$23.6 million);
- (b) corporate guarantees from the Company and certain subsidiaries of the Company;
- (c) corporate guarantees from Shanghai Biowindow Gene Development Co., Ltd. ("Shanghai Biowindow") and Shanghai Fudan Boitech Limited, two related companies in which both Dr. Mao Yu Min and Dr. Xie Yi have beneficial interests; and
- (d) legal charges over certain leasehold land and buildings, and plant and machinery of subsidiaries of the Company.

13. DUE TO A MINORITY EQUITY HOLDER

The amount due to a minority equity holder is unsecured and interest-free. The balance at 30 September 2003 and 31 March 2003 is repayable upon the end of the operating period of the subsidiary, which is on 25 September 2030.

14. PROMISSORY NOTES

On 8 July 2002, the Group acquired 55% of the issued share capital in GGL for a consideration of HK\$55,000,000. The consideration was satisfied in the form of five promissory notes issued by Best-Bio Developments Limited bearing interest at the rate of 1% per annum and repayable in 5 years from July 2002. During the period under review, the outstanding balance of HK\$15,000,000 due as at 31 March 2003 was fully settled.

15. ISSUED CAPITAL

	Company	
	(Unaudited)	(Audited)
	At 30 September	At 31 March
	2003	2003
	HK\$'000	HK\$'000
<i>Authorized:</i>		
20,000,000,000 ordinary shares of HK\$0.01 each	200,000	200,000
	<u> </u>	<u> </u>
<i>Issued and fully paid:</i>		
2,290,000,000 ordinary shares of HK\$0.01 each	22,900	22,900
	<u> </u>	<u> </u>

16. CONTINGENT LIABILITIES

As at 30 September 2003, the Group had no (31 March 2003: Nil) significant contingent liabilities.

17. COMMITMENTS

As at the balance sheet date, the Group had the following commitments:

	(Unaudited)	(Audited)
	At 30 September	At 31 March
	2003	2003
	HK\$'000	HK\$'000
Contracted for in respect of:		
Construction projects for upgrading of the manufacturing plant	—	1,680
Authorized, but not contracted for in respect of:		
Acquisition of additional equity interest in a subsidiary	—	11,924
	<u> </u>	<u> </u>
	<u> </u>	<u>13,604</u>

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 Ciba-Geigy Pharmaceuticals Co., Ltd.

18. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms of one to three years.

As at the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	(Unaudited) At 30 September 2003 HK\$'000	(Audited) At 31 March 2003 HK\$'000
Within one year	1,905	1,905
In the second to fifth years, inclusive	<u>906</u>	<u>1,961</u>
	<u><u>2,811</u></u>	<u><u>3,866</u></u>

19. CONNECTED AND RELATED PARTY TRANSACTION

In addition to the disclosures elsewhere in these interim financial statements, the Group had the following material transaction with related party during the period:

On 18 June 2003, the Group announced the proposed acquisition (the "JECPC Acquisition") of the remaining 40% equity interest in the paid-up capital of Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd. ("JECPC") from Smart Phoenix Holdings Limited, the minority equity holder of JECPC, for a consideration of HK\$25 million. At 31 March 2003, the Group had paid deposits of HK\$13,076,000 in respect of the JECPC Acquisition. Further details of the JECPC Acquisition are set out in the circular of the Company dated 9 July 2003. The JECPC Acquisition was approved in a special general meeting by the shareholders of the Company dated 26 July 2003 and the remaining consideration of HK\$11,924,000 was settled during the period under review.

20. COMPARATIVE AMOUNTS

As explained in note 1 to this interim financial statements, due to the adoption of the revised SSAP 12 during the period, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirement. Accordingly, certain prior period adjustments have been made and certain comparative amounts have been reclassified to conform with the current period's presentation.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2003, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Company/ Associated corporation	Notes	Capacity	Interest in shares
Mao Yu Min	The Company	1	Interest of controlled corporation	680,000,000 ordinary shares
Xie Yi	The Company	1	Interest of controlled corporation	680,000,000 ordinary shares
Ho Yu Ling	The Company	2	Interest of controlled corporation	102,000,000 ordinary shares
	Extrawell Enterprises Limited	3	Interest of controlled corporation	100,000 non-voting deferred shares
Li Qiang	The Company		Beneficial owner	15,000,000 ordinary shares

Notes:

- JNJ Investments Ltd., HK Biowindow, Fudan Biotech (Hong Kong) Limited and Fudan Pharmaceutical Limited hold 500,000,000 shares, 74,000,000 shares, 76,000,000 shares and 30,000,000 shares of the Company respectively.

The entire issued share capital of JNJ Investments Ltd. is owned by HK Biowindow, the issued share capital of which is owned as to 99.01% by United Gene Holdings Limited and as to 0.99% by Shanghai Biowindow. The capital of Shanghai Biowindow is 60% owned by United Gene Holdings Limited, 13.575% owned by Dr. Xie Yi, a director of the Company, and 13.575% owned by Ms. Sheng Xiao Yu, wife of Dr. Mao Yu Min. Dr. Mao Yu Min is a director of the Company. The equity capital of United Gene Holdings Limited is beneficially owned as to 33.5% by Dr. Mao Yu Min and as to 33.5% (including direct and indirect interests) by Dr. Xie Yi.

Fudan Biotech (Hong Kong) Limited is owned as to 99% by Shanghai Fudan Biotech Limited, Shanghai Fudan Biotech Limited is owned as to 75% by Shanghai Biowindow.

HK Biowindow is owned as to 80% of the share capital of Fudan Pharmaceutical Limited.

2. These shares are owned by Well Success Limited, the entire issued share capital of which is beneficially owned by Mr. Ho Yu Ling, a director of the Company.
3. 100,000 non-voting deferred share of HK\$10 each in Extrawell Enterprises Limited, a wholly owned subsidiary of the Company, are beneficially owned by Extrawell Holdings Limited, a related company of the Group. Mr. Ho Yu Ling, a director of the Company, is interested in 41.6% of the entire issued share capital of Extrawell Holdings Limited and Messrs. Ho Chin Hou and Li Qiang, certain of the directors of the Company, also have beneficial interests in Extrawell Holdings Limited.
4. 10% equity interest in the registered capital of Bio-chip Co., Ltd., Shanghai, a 90% owned subsidiary of Lucky Element Biotech (Su Zhou) Limited ("Biotech (SZ)"), is beneficially owned by United Gene Holdings Limited. The entire equity interest in the registered capital of Biotech (SZ) is owned by GGL, which in turn is 55% beneficially owned by the Company. The entire share capital of GGL is 45% owned by HK Biowindow.

Save as disclosed above, as at 30 September 2003, none of the directors or their associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the New Scheme (as defined hereinafter), the details of which are set out in the paragraph headed "EMPLOYMENT AND REMUNERATION POLICY" in this interim financial report, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, according to the register kept by the Company pursuant to section 336 of SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, save as disclosed in the paragraph headed "DIRECTORS' INTERESTS IN SHARES" in this interim report, the following persons had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

Name	Interest in ordinary shares	Note	Nature of interest	Approximate percentage of the Company's issued share capital
JNJ Investments Ltd.	500,000,000	1	Beneficial owner	21.83%
HK Biowindow	604,000,000	1	Beneficial owner and interest of controlled corporation	26.38%
United Gene Holdings Limited	680,000,000	1	Interest of controlled corporation	29.69%

Note:

- JNJ Investments Ltd., HK Biowindow, Fudan Biotech (Hong Kong) Limited and Fudan Pharmaceutical Limited hold 500,000,000 shares, 74,000,000 shares, 76,000,000 shares and 30,000,000 shares of the Company respectively.

The entire issued share capital of JNJ Investments Ltd. is owned by HK Biowindow, the issued share capital of which is owned as to 99.01% by United Gene Holdings Limited and as to 0.99% by Shanghai Biowindow. The capital of Shanghai Biowindow is 60% owned by United Gene Holdings Limited, 13.575% owned by Dr. Xie Yi, a director of the Company and 13.575% owned by Ms. Sheng Xiao Yu, wife of Dr. Mao Yu Min. Dr. Mao Yu Min is a director of the Company. The equity capital of United Gene Holdings Limited is beneficially owned as to 33.5% by Dr. Mao Yu Min and as to 33.5% (including direct and indirect interests) by Dr. Xie Yi.

Fudan Biotech (Hong Kong) Limited is owned as to 99% by Shanghai Fudan Biotech Limited, Shanghai Fudan Biotech Limited is owned as to 75% by Shanghai Biowindow.

HK Biowindow is owned as to 80% of the share capital of Fudan Pharmaceutical Limited.

Save as disclosed above, as at 30 September 2003, no person had registered an interest in the issued share capital of the Company that was required to be recorded under section 336 of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of the current financial year from 1 April to 30 September 2003, we were faced with the challenges brought in by the Severe Acute Respiratory Syndrome (“SARS”). On one hand, the Imported Pharmaceutical Products have been significantly affected by the adverse impact of SARS while on the other hand new opportunities were opened to our immunology drugs. Under the leadership of our management team, the Group had weathered the storm in spite of all the economical hardship the market generated during that period of time.

Decrease in Turnover

The consolidated turnover of the Group for the six months ended 30 September 2003 was approximately HK\$95 million, representing a decrease of 10% as compared to the corresponding period last year.

The drop in turnover was due to the significant decrease in sales for Imported Pharmaceutical Products and the decrease in revenue from the Gene Development Sector.

Drop in Revenue of Imported Pharmaceutical Products due to SARS

Sales of Imported Pharmaceutical Products has experienced a significant drop from approximately HK\$50 million in last interim period from 1 April to 30 September 2002, to approximately HK\$42 million in the current interim period from 1 April to 30 September 2003, representing an approximately 16% drop as compared to the corresponding period.

During the outbreak of SARS in April to June 2003, we saw a substantial drop in sales for the Imported Pharmaceutical Products. This is due to the fact that hospitals were quarantined and all other non-emergency cases were given low priority during the period.

Increase in Revenue in Manufactured Biological Drugs

Turnover from Self-manufactured Pharmaceutical Sector recorded approximately HK\$51 million for current interim period, representing a substantial increase by approximately 50% comparing to the HK\$34 million in the corresponding period in 2002. From April to June 2003, we saw substantial increase in sales of P-Transfer Factor, an immune system promoter. This drug was widely used during the SARS period, especially in Northern China region.

P-Transfer Factor is one of our major products. It is manufactured by Changchun Extrawell Pharmaceutical Co., Ltd (“Changchun Extrawell”), our GMP factory in Changchun, Jilin Province, Northern China. P-Transfer Factor can promote the T-cell(s) in the human body, which proves to be an important medium for the immune system to defend the human body against SARS. Its efficacy is well recognized amongst the PRC research scientists and medical practitioners.

The Group had organized seminars for the medical practitioners on the efficacy and the cost effectiveness of P-Transfer Factor in improving the human immune system to defend against SARS. We received many orders from hospitals and the medical bodies of the government. P-Transfer Factor was distributed to medical staff for protection against their risky exposure to SARS. SARS has alerted the Chinese population in regard to the importance of health care. We believe the level of product recognition and acceptance will grow substantially in time.

Contributions from Gene Development Sector

Sales in the Gene Development Sector were approximately HK\$2 million for the current interim period. The majority of this sales figure was from the sales of gene chips. Sales in the corresponding period last year of approximately HK\$21 million mainly represent income from transfer of gene invention rights and sales of gene chips in the PRC. The significant drops in revenue is due to slow down in transfer of gene invention rights.

Marginal Fall in Gross Profit and Gross Profit Margin

Gross profit for 2003 interim period was approximately HK\$41 million, representing a decrease of 29% as compared with the HK\$58 million in the interim period in 2002. The marginal fall in gross profit is mainly due to the decrease in sales and the lower gross profit contributions from both the Imported Pharmaceutical Products as well as from the Gene Development Sector.

Gross margin has been decreased from approximately 56% in the interim period in 2002 to 44% in the interim period of 2003. The drop in gross profit margin is mainly due to the decrease in sales and the gross profit from the Gene Development Sector, which recorded a very high segmental result of approximately HK\$22 million in the corresponding interim period in 2002.

Profit from operating activities has decreased by 51% from approximately HK\$43 million in 2002 to approximately HK\$21 million in the current interim period. Profit margin has decreased from 41% in 2002 interim period to 23% in the current interim period.

The drop in profit from operating activities and margins from segmental results is due to the decrease in sales and profit from the Gene Development Sector as well as the Imported Pharmaceutical Product Sector. Segmental contributions and corresponding margins for both Imported Pharmaceutical Products and Gene Development Sector recorded substantial drop due to the SARS outbreak as mentioned above.

Lower Profit Recorded for Imported Pharmaceutical Sector

Segmental results from Imported Pharmaceutical Products have decreased from approximately HK\$14 million in 2002 to HK\$4 million in the current interim period, representing a drop of approximately HK\$10 million. The decrease in segmental results is mainly due to the drop in sales of Imported Pharmaceutical Products.

The sudden sharp decrease in sales during the SARS outbreak in April to June 2003 caused the Group to bear significant idle costs in view of the extreme tight control measures implemented in the hospitals in the PRC during that period of time.

Increase in Profit and Profit Margin for Manufacturing Sector

Segmental results from manufacturing products has increased significantly from approximately HK\$12 million in the 2002 interim period to HK\$19 million, representing a substantial rise of 58% in segmental profit for 2003 interim period.

Increased in segmental results is mainly due to sharp rise in sales.

OUTLOOK

Increase Awareness for Immunological Drugs

P-Transfer Factor is used to boost the human immune system. Since the SARS outbreak in April 2003, its efficacy and cost-effectiveness have caught the attention of the medical circle as a cost-effective solution to improve the human immune system to defend against SARS. We believe the Chinese population is now well aware of the importance of health care, therefore, the level of product recognition and acceptance will grow in time.

The Group will continue to organise seminars for medical practitioners on the efficacy and the cost effectiveness of P-Transfer Factor in improving the human immune system to defend against SARS and other diseases.

The Imported Pharmaceutical Products Sector has gradually recovered after the period of SARS out-break. More importantly, the sales of Imported Pharmaceutical Products are now back on the growth track.

Spinning off – a New Window for PRC Local Investors’ Involvements

As we have announced on 24 November 2003, the Group has proposed to spin-off Changchun Extrawell for the A shares listing in the A share market of the Shanghai Stock Exchange or the Shenzhen Stock Exchange, upon obtaining the relevant approvals from its shareholders, the Stock Exchange and the China Securities Regulatory Commission (“CSRC”).

Separate listing will provide more diversified funding sources and will also allow Changchun Extrawell to enhance its corporate profile and develop potential products, which in turn will benefit the Group.

The board of directors has appointed financial advisers on the spin-off proposal but no time table has been confirmed at this point in time. We will make further announcements as and when appropriate, including on when the formal application to CSRC will be made.

长春博讯药业股份有限公司
Changchun Extrawell Pharmaceutical Co., Ltd.

Strengthen Control and Streamline Management

In June 2003, the Group has acquired the remaining 40% minority interests in JECP. JECP has become a wholly-own subsidiary of the Group since then. The factory is in the process of reengineering business premises, tightening management control and upgrading existing infrastructures to obtain the GMP certification. Also we have streamlined all the production processes to keep cost at efficient levels. Plans will be in place for larger volume production and new product range for both manufacturing entities located in Changchun.

With the streamlined and upgraded production facilities, the Group will be able to fully utilised the two production plants to produce different dosage forms (such as capsule, tablet, oral solution or injection form etc.) of the pharmaceutical products to yield economical production and to achieve a higher level of efficiency.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2003, the Group had 369 employees (31 March 2003: 452), of which 3 are in Malaysia, 9 are in Hong Kong and 357 are in the PRC.

The Group has not experienced any significant problems with its employees or disruptions to the operations due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff.

The Group remunerates its employees based on industry practices. Its staff benefits, welfare and statutory contributions, if any, are made in accordance with prevailing labour laws of its operating entities.

Ordinary resolutions were passed on the annual general meeting of the Company on 8 August 2002, approving the adoption of a new share option scheme (the "New Scheme") by the Company. The New Scheme, with its broadened basis of participation, and absence of performance target to be achieved will enable the Group to reward the employees, the directors and other selected participants for their contribution to the Group and will also assist the Group in its recruitment and retention of high caliber professionals, executives and employees who are instrumental to the growth of the Group.

No share option was granted under the New Scheme.

SEASONAL OR CYCLICAL FACTORS

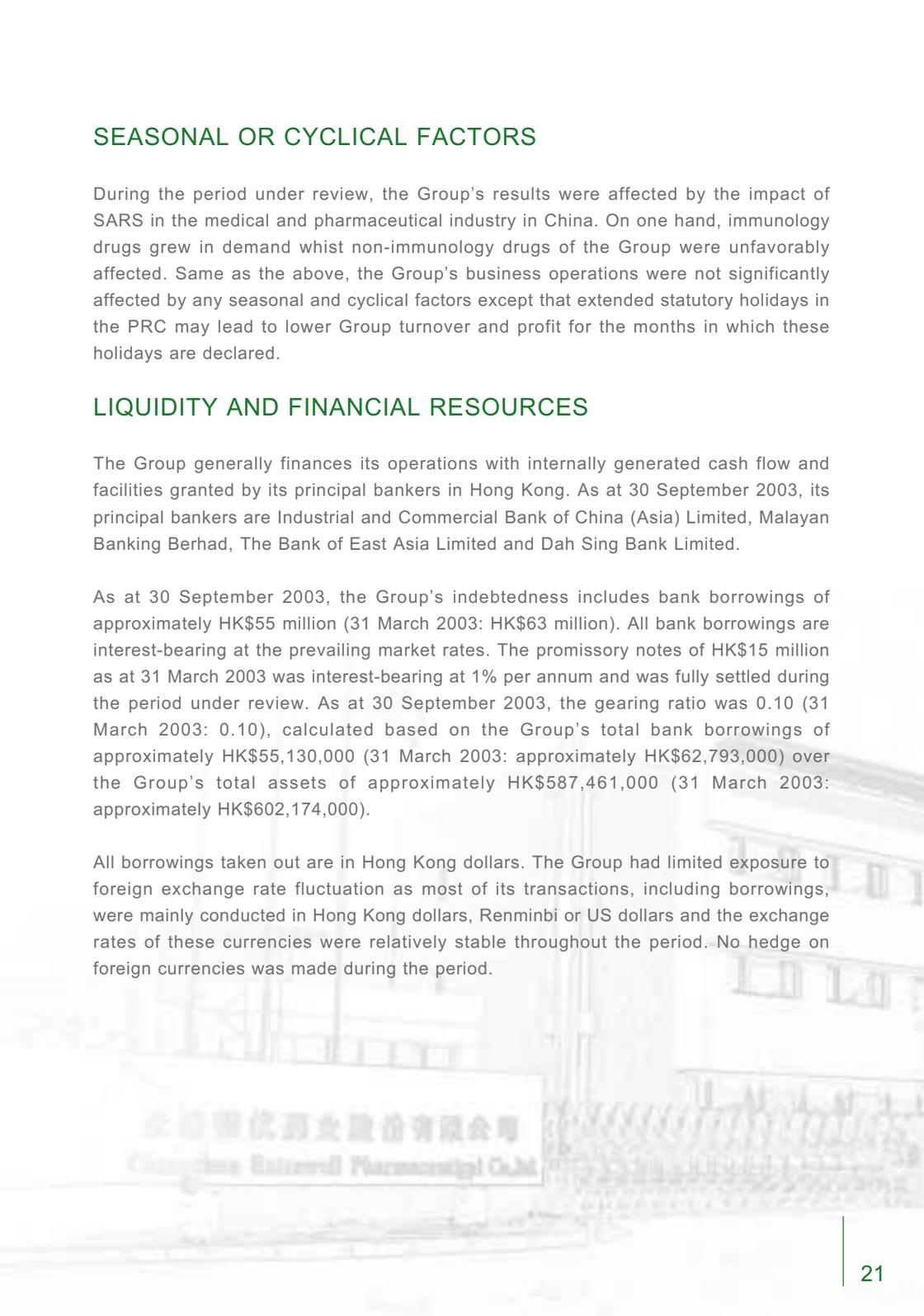
During the period under review, the Group's results were affected by the impact of SARS in the medical and pharmaceutical industry in China. On one hand, immunology drugs grew in demand whilst non-immunology drugs of the Group were unfavorably affected. Same as the above, the Group's business operations were not significantly affected by any seasonal and cyclical factors except that extended statutory holidays in the PRC may lead to lower Group turnover and profit for the months in which these holidays are declared.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and facilities granted by its principal bankers in Hong Kong. As at 30 September 2003, its principal bankers are Industrial and Commercial Bank of China (Asia) Limited, Malayan Banking Berhad, The Bank of East Asia Limited and Dah Sing Bank Limited.

As at 30 September 2003, the Group's indebtedness includes bank borrowings of approximately HK\$55 million (31 March 2003: HK\$63 million). All bank borrowings are interest-bearing at the prevailing market rates. The promissory notes of HK\$15 million as at 31 March 2003 was interest-bearing at 1% per annum and was fully settled during the period under review. As at 30 September 2003, the gearing ratio was 0.10 (31 March 2003: 0.10), calculated based on the Group's total bank borrowings of approximately HK\$55,130,000 (31 March 2003: approximately HK\$62,793,000) over the Group's total assets of approximately HK\$587,461,000 (31 March 2003: approximately HK\$602,174,000).

All borrowings taken out are in Hong Kong dollars. The Group had limited exposure to foreign exchange rate fluctuation as most of its transactions, including borrowings, were mainly conducted in Hong Kong dollars, Renminbi or US dollars and the exchange rates of these currencies were relatively stable throughout the period. No hedge on foreign currencies was made during the period.



长信集团药业股份有限公司
Ciba-Geigy Pharmaceuticals Co., Ltd.

The bank loans are secured by fixed deposits of approximately HK\$13.2 million (31 March 2003: approximately HK\$23.6 million), corporate guarantees from the Company and certain of its subsidiaries, corporate guarantees from related companies, Shanghai Biowindow and Shanghai Fudan Biotech Limited, and certain leasehold land and buildings and plant and machinery of the Group. During the review period, the Group has successfully negotiated with one of its principal bankers, Malayan Banking Berhad, for a decrease of pledged fixed deposit by HK\$2 million while the total facilities granted by the bank remained unchanged. In addition, a HK\$8 million pledged fixed deposit placed with a bank to secure for a loan to a subsidiary was also released upon maturity of the bank loan (of approximately HK\$20 million). Since then, the subsidiary has pledged its own manufacturing plant for a new bank facility of approximately HK\$22 million over a period of one year plus an option to renew for another one year. The above arrangements have increase the liquidity position of the Group.

Except as mentioned above, there were no significant changes in loan structure of the Group during the period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2003, the Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2003.

By Order of the Board
Mao Yu Min
Chairman

Hong Kong, 29 December 2003