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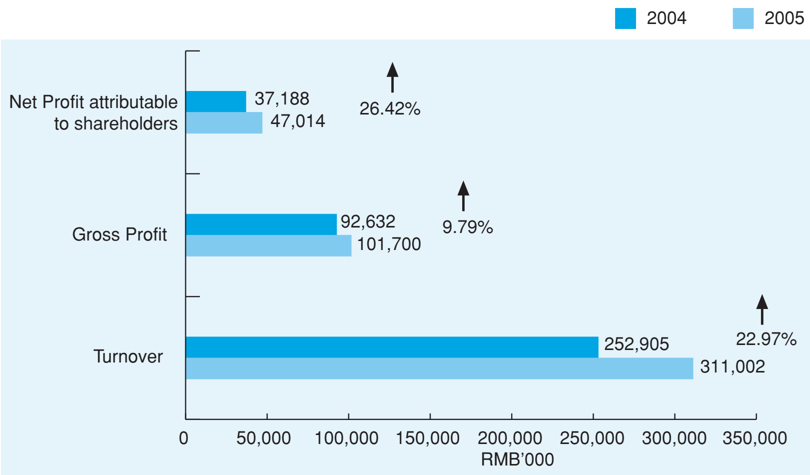
FINANCIAL HIGHLIGHTS

The Board of Directors ("Board") of Dawnrays Pharmaceutical (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2005. These interim results have been reviewed by Ernst & Young, the auditors of the Company (the "Auditors"), in accordance with SAS 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants and by the Audit Committee of the Company.

	For the six months ended 30 June		
	2005	2004	**Increase**
	RMB'000	*RMB'000*	**(%)**
	Unaudited	Unaudited	
Turnover	**311,002**	252,905	**22.97%**
Gross Profit	**101,700**	92,632	**9.79%**
Profit before tax (continuing operations)	**49,371**	36,905	**33.78%**
Net profit attributable to shareholders	**47,014**	37,188	**26.42%**
Earnings per share — basic (RMB)	**0.0588**	0.0465	**26.45%**
Interim dividend per share (HK$)	**0.015**	0.015	**0%**

For the six months ended 30 June



With the impact arising from the mandatory order of reducing the retail price of antibiotics by the National Development and Reform Commission of PRC in June 2004, the directive on the business operation model of the Group was gradually switched to direction of "intensive-focus" economic-oriented structure in the first half of 2005. The out-performance of the "intensive-focus" economic-oriented structure had attributed favorable impact on our existing types of antibiotics and system specific medicine with enhanced productivity, new technological craftsmanship in research and development, and production cost-control. The Group has started to have more flexible and profitable business models with the integration and effective correlation of/between manufacturing, purchasing, sales and chemical engineering resulting from the elaborated "intensive-focus" economic-oriented structure. So far as the current product types business is concerned, the growth of the Group's turnover now gained despite the market being under the pressure of price-cut is a concrete evidence of the Group possessing ingenuity in extricating itself from unfavorable and restrictive conditions.

The Group is in process of an analysis of the current market with a degree of concern with market conditions in order to derive aggressively a new profitable model so that a position with certainty about new direction of investment and business developments can be ascertained. This includes negotiation on the deals with foreign pharmaceutical companies on agency, reinforcement of overseas market development, and conceptual study of running Chinese medicine products.

The national medical system in China has been reforming. The comments on the medical system's reformation from the government, pharmaceutical manufacturers, hospitals, doctors, patients, insurance companies were not consistent. Undoubtedly, national power in China has been increasingly upgraded and reinforced, the medical expenditures of the Chinese citizens including those from the big cities and rural areas are increasing. According to the information of "China's Health Statistics Highlight in 2005 (2005年中國衛生統計提要)" released by the Ministry of Health of PRC, it stated that "the total amount of medical expenditure in PRC rose from RMB14.3 billion in 1980 to RMB662.3 billion in 2003" (refer to 25th Issue of "Outlook Weekly" edited by Xinhua News Agency (中國新華通訊社編輯的《瞭望新聞周刊》), published on 20th June 2005). According to an article of "Looking to China and cancer as cost containment slows growth" dated on 30 March 2005 in IMS Health (a reputable global source for pharmaceutical market analysis and news), it specifies that "the most notable element of the pharmaceutical market in 2004 was the impressive growth recorded in China, which saw sales increase 28% year-over-year". In the long run, the China's medical market will definitely become a huge and great potential market comparing with other medical markets in the world. The goal to aim for is a development strategy that is for the real situation of Dawnrays, devoting itself to having highly-disciplined and effective corporate governance, attracting talents and being practical and develops a robust century-establishment to assure itself of continuing growing healthy development.

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK$0.015 per share for the year ending 31 December 2005, amounting to a total sum of approximately HK$12,000,000 (equivalent to approximately RMB12,779,000).

Li Kei Ling
Chairman

Hong Kong, 10 August 2005

BUSINESS REVIEW

1. BUSINESS OPERATION

In the first half year of 2005, with the effectual structures and development of scientific study, and the development of powder for injection and the sales of the generic drugs (system specific medicine), targeted goal has been achieved and this is an encouraging result pleased to have. The major attributions are as follows:

1. Reinforced management aimed at control over all expenditures. There appeared the operating expenses as a percentage of turnover costing only 17.16% in the first six months of the year compared with 22.27% of the corresponding period of previous year.

2. With the breakeven demand and supply, decent structure, development of scientific study and the favorable conditions offered for the best production capability, cephalosporin bulk medicine has been in production to the best ever level.

3. There exists preliminary effective return resulting from effort to restructure a marketing strategy for marketable products — gain in sales of all such high profitable products such as Cefoperazone bulk medicine and "AnNeiZhen" are ongoing.

4. With the price cut by State administrative order, the rural sector as one of the market of Ceftriaxone Sodium for injection has been underway since then to the extent that the sales has dramatically increased because of its being broadly used there.

5. Large scale program of solvent recycling has actively led to the production costs lower.

6. The expansion of production capacity of both the bulk medicine and powder for injection has had the condition for strengthening the sales in place.

2. PRODUCTS IN THE PIPELINE

In the first half of 2005, our mission of research-and-development projects were focused, intensive, and had been in progress based on our plan of resource-control basis. There were 2 production permits obtained in the first half of 2005, namely Compound Amiloride Hydrochloride Tablets and "Jiedu Hugan Keli"(解毒護肝顆粒). The Group submitted a total of 46 application files of research-and-development permits.

The newly and self-developed cephalosporin compound formula preparations had been passed the Centre for Drug Evaluation (CDE) requirement of State Food & Drug Administration (SFDA), the clinical testing permit was obtained. The compound formula preparations for cardiovascular system had also commenced the development stage including the stability research of group of formulas and the experimental project design.

PROSPECTS

The Group, concentrating the research and development with focus, had proceeded with its focus on our researches and developments in anti-infective, cardiovascular and diabetic products. This has in turn encouraged the cooperation between organizations with a wide range of scientific researches, and the research and development of anti-inflective products has been underway. At the same time, we proceeded with the development of specialty bulk medicine aiming for international market and getting prepared for the product restructuring adjustment in the next step.

The Group has formulated a series of marketing strategies, including the launch of the fourth generation cephalosporin products in the second half of 2005, reinforcement of marketing and sales force in rural areas and small towns, reinforcement of the sales channels of system specific medicine in community's hospitals, and etc.

In the second half of 2005, the Group will strengthen the force of sales and distribution channel, attract talents, maintain and reinforce the competitive edge of the Company to continue to create our shareholders' value.

FINANCIAL REVIEW

SALES AND GROSS PROFIT

During the six months ended 30 June 2005 (the "Reported Period"), the Group has achieved the total turnover of RMB 311,002,000, equivalent to an increase of 22.97% compared with the corresponding period of last year. The main reason of the increase of total turnover was the 140% growth of the sales quantity of powder for injection by a total of 44.28 millions of vials compared with the corresponding period of last year.

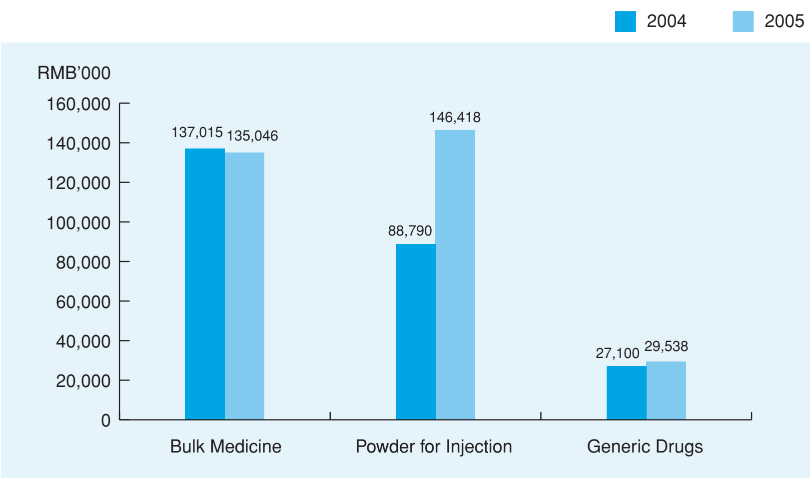
Gross profit was approximately RMB101,700,000, equivalent to an increase of 9.8% compared with the corresponding period of last year. Gross profit margin was 32.7%, representing a slight decline as compared with 36.6% of the corresponding period of last year. The main reasons of the gross profit margin declined are as follows: firstly, an increase of the up-stream raw material cost made an effect of rising the Group's cost of production; secondly, the selling prices of powder for injection and system specific medicine (generic drugs) voluntarily declined further to gain the market share. Also, the percentage of the decline of sales unit price was bigger than the percentage of the decline of cost. The sales unit price of powder for injection declined 32% compared with the corresponding period of last year while the cost only dropped 12%. The sales unit price of system specific medicine (generic drugs) declined 22% compared with the corresponding period of last year while the cost only dropped 12%.

During the Reported Period, the export sales was RMB16,284,700, equivalent to an increase of 58.75% compared with the corresponding period of last year.

TURNOVER ANALYSIS

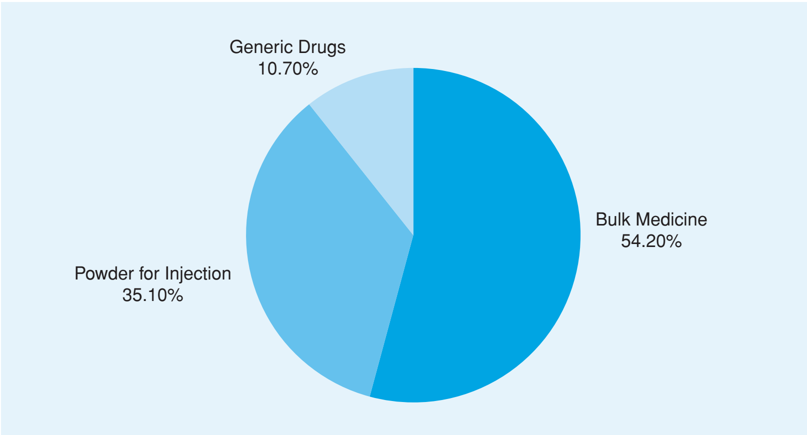
Products	Turnover	Sales Breakdown	Gross Profit Margin
	RMB'000	*(%)*	*(%)*
For the six months ended 30 June 2005			
Bulk Medicine	**135,046**	**43.42**	**25.50**
Powder for injection	**146,418**	**47.08**	**30.83**
Generic Drugs (System Specific Medicine)	**29,538**	**9.50**	**74.92**
Total	**311,002**	**100.00**	**32.7**
For the six months ended 30 June 2004			
Bulk Medicine	137,015	54.2	21.6
Powder for injection	88,790	35.1	47.1
Generic Drugs (System Specific Medicine)	27,100	10.7	78.3
Total	252,905	100.0	36.6

Turnover



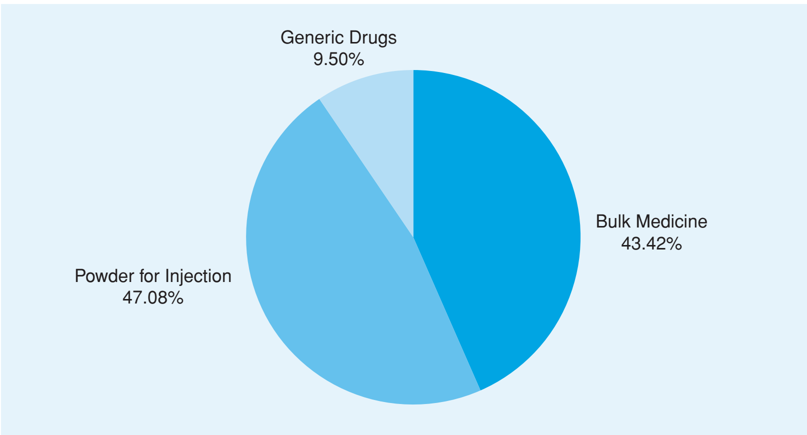
For the six months ended 30 June

2004 Sales Breakdown



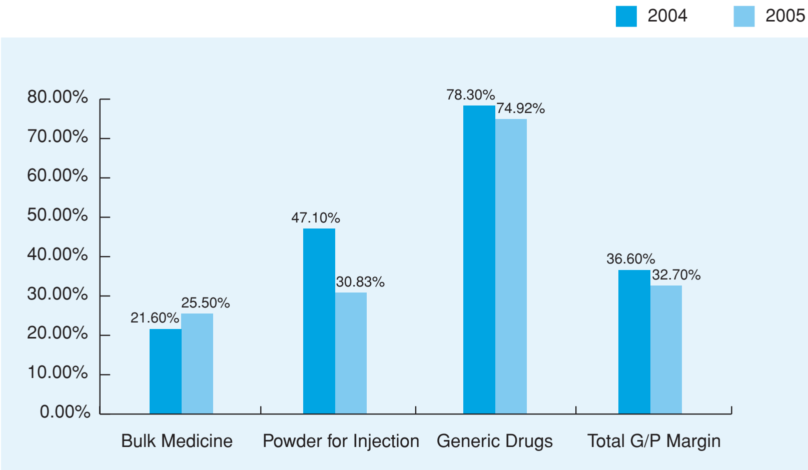
For the six months ended 30 June 2004

2005 Sales Breakdown



For the six months ended 30 June 2005

Gross Profit Margin



For the six months ended 30 June

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

During the Reported Period, the Company's profit attributable to shareholders was approximately RMB47,014,000, representing an increase of 26.42% compared with the corresponding period of last year. The reason of a rise in profit attributable to shareholders was mainly the increase in turnover and the decline in operating expenses.

During the Reported Period, the operating expenses incurred was approximately RMB53,383,000, equivalent to a decline of 5.25% compared with the corresponding period of last year. The total operating expenses as a percentage of turnover was 17.16% (2004: 22.27%).

Of which, selling and distribution expenses was approximately RMB27,761,000, equivalent to a decline of 5.71% compared with the corresponding period of last year. The selling and distribution expenses as a percentage of turnover was 8.92% (2004: 11.64%).

Administration expenses and other operating expenses was approximately RMB25,622,000, equivalent to a decline of 4.7% compared with the corresponding period of last year. The decline of the total expenses was mainly due to the bonus payment in the first half of 2004, but no such bonus was paid in the first half of 2005.

ANALYSIS ON RETURN OF ASSETS

As at 30 June 2005, net assets of the Group were approximately RMB441,864,000. Net return on assets, which is defined as the net profit from operating activities attributable to shareholders divided by net assets, was 10.6% (2004: 9.7%).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2005, the Group held cash and cash equivalents of RMB62,819,000 (as at 31 December 2004: RMB96,566,000). Other than the trade payables and notes payables amounting to RMB221,424,000 (as at 31 December 2004: RMB234,275,000), the Group had no bank loans (as at 31 December 2004: Nil).

The debt ratio (defined as interest bearing loans and borrowings over total assets) of the Group as at 30 June 2005 was 0% (as at 31 December 2004: 0%).

The Group has always maintained sufficient liquidity, but for contingency purpose, the Group has arranged bank facilities. As at 30 June 2005, the Group has aggregate bank facilities of approximately RMB430,000,000 (as at 31 December 2004: RMB387,000,000). The bank facilities provided to Suzhou Dawnrays Pharmaceuticals Co., Ltd. was purely credit loan. The bank facilities provided to Suzhou Dawnrays Chemical Co., Ltd. was the credit loan with 15%-20% guarantee of assets.

During the Reported Period, net cash inflows from operating activites were approximately RMB21,881,000. The reasons of a decline of net cash inflows from operating activities were mainly the new bulk medicine workshop in operation, and a rise in merchandising costs arising from the inspection period that requires extension from 7 days to 14 days, for which bulk medicines for storage in warehouse was prolonged accordingly. Capital expenditure on construction and investment of fixed assets was approximately RMB35,985,000.

As at 30 June 2005, the Group's capital commitment was approximately RMB58,769,000 (as at 31 December 2004: RMB91,989,000), which mainly derived from the new bulk medicine workshop, new warehouse, renovation and upgrade of the old workshop for powder for injection, and the public construction work of the factory area. The Group has sufficient financial and internal resources to bear the capital expenditure.

FOREIGN EXCHANGE AND TREASURY POLICIES

Substantially all of the business activities, assets, liabilities of the Group are calculated in Renminbi, therefore the risk derived from the foreign exchange to the Group is not high. The treasury policy of the Group will only manage all such risk of foreign exchange (if any) that will potentially give great impact on the Group. The Group continues to observe the foreign exchange market, and may hedge against fluctuations with foreign exchange forward contracts if necessary.

STAFF AND REMUNERATION POLICY

As at 30 June 2005, the Group employed approximately 1,300 employees and the total remuneration was approximately RMB21,947,000 (2004: RMB24,269,000). The Group highly values human resources and truly understands the importance of attracting and keeping high-performance employees. Remuneration policy is generally based on the references of market salary index and individual qualifications. The Group provides its employees with other fringe benefits including defined contribution retirement schemes, share option scheme and medical coverage. The Group also provides certain of its employees in PRC with dormitory accommodation in PRC.

CHARGE ON ASSETS

As at 30 June 2005, net book value of RMB4,154,000 monetary capital was pledged to banks to obtain credit facilities (as at 31 December 2004: Nil).

CONTINGENT LIABILITIES

As at 30 June 2005, the Group had no material contingent liabilities (as at 31 December 2004: Nil).

PLANS FOR SIGNIFICANT INVESTMENTS AND EXPECTED SOURCE OF FUNDING

Details of the Group's future plans for significant investments and their expected sources of funding have been stated in the Company's Annual Report 2004 on page 13. Other than those disclosed above, the Group did not have any plan for material investments or acquisition of capital assets.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2005, the interests and short positions of the directors and chief executive in the shares or underlying shares or debentures of the Company or its 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 otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

Name	*Notes*	Number of shares held, capacity and nature of interest: Directly beneficially owned	Through controlled corporation	Total	Percentage of the Company's issued share capital
Directors					
Ms. Li Kei Ling	(a)	—	342,072,000	342,072,000	42.76
Mr. Hung Yung Lai	(a)	—	342,072,000	342,072,000	42.76
Mr. Zhang Jing Xing	(b)	—	154,000,000	154,000,000	19.25
Mr. Li Tung Ming	(c)	2,800,000	56,000,000	58,800,000	7.35
Mr. Xu Kehan		120,000	—	120,000	0.02
Chief Executive					
Mr. Dong Shao Zhi		1,000,000	—	1,000,000	0.13

The interests of the directors and chief executive in the share options of the Company are separately disclosed in note 12 to the Interim Financial Information.

Long positions in shares and underlying shares of associated corporation:

Name of director	Name of associated corporation	Relationship with the Company	Number of ordinary shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Ms. Li Kei Ling	Fortune United Group Limited	Company's holding company	2	Through a controlled corporation	50
Mr. Hung Yung Lai	Fortune United Group Limited	Company's holding company	2	Through a controlled corporation	50

Notes:

(a) 342,072,000 shares are held by Fortune United Group Limited, a company incorporated in the British Virgin Islands. Keysmart Enterprises Limited, which is wholly-owned by Ms. Li Kei Ling, and Hunwick International Limited, which is wholly-owned by Mr. Hung Yung Lai, are each beneficially interested in 50% of the share capital of Fortune United Group Limited.

(b) 154,000,000 shares are held by Ray Sheen Company Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of Ray Sheen Company Limited is beneficially owned by Mr. Zhang Jing Xing.

(c) 56,000,000 shares are held by Time Lead Investments Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of Time Lead Investments Limited is beneficially owned by Mr. Li Tung Ming.

Subsequent to 30 June, 2005, Mr. Dong Shao Zhi, the chief executive, acquired 2,000,000 ordinary shares of the Company from 5 July, 2005 to 7 July, 2005. Hence, as at the date of this interim report, Mr. Dong Shao Zhi has directly beneficially owned 3,000,000 ordinary shares which represented 0.38% of the Company's issued share capital.

Save as disclosed above, as at 30 June 2005, none of the directors or chief executive had registered an interest or short position in the shares or underlying shares or debentures 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 notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 12 to the Interim Financial Information, at no time during the Reported Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The detailed disclosures relating to the Company's share option scheme and valuation of options are set out in note 12 to the Interim Financial Information.

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

At 30 June 2005, the following interests or short positions in the shares and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of share options held
Fortune United Group Limited	(a)	Directly beneficially owned	342,072,000	42.76	—
Keysmart Enterprises Limited	(a)	Through a controlled corporation	342,072,000	42.76	—
Hunwick International Limited	(a)	Through a controlled corporation	342,072,000	42.76	—
Mdm. Iu Pun	(b)	Family	342,072,000	42.76	700,000
Ray Sheen Company Limited	(c)	Directly beneficially owned	154,000,000	19.25	—
Mdm. Luo Yang	(d)	Family	154,000,000	19.25	1,500,000
Time Lead Investments Limited	(e)	Directly beneficially owned	56,000,000	7.00	—

Notes:

(a) The issued capital of Fortune United Group Limited is equally beneficially owned by Keysmart Enterprises Limited and Hunwick International Limited which are in turn, respectively, wholly-owned by Ms. Li Kei Ling and Mr. Hung Yung Lai, executive directors of the Company.

(b) Mdm. Iu Pun is the wife of Mr. Hung Yung Lai and is deemed to be interested in the shares and share options of the Company held by Mr. Hung Yung Lai. The interests of Mdm. Iu Pun in the share options of the Company as referred to above are the same as those interested by Mr. Hung Yung Lai, details of which are separately disclosed in note 12 to the Interim Financial Information.

(c) The entire issued capital of Ray Sheen Company Limited is beneficially owned by Mr. Zhang Jing Xing, an executive director of the Company.

(d) Mdm. Luo Yang is the wife of Mr. Zhang Jing Xing and is deemed to be interested in the shares and share options of the Company held by Mr. Zhang Jing Xing. The interests of Mdm. Luo Yang in the share options of the Company as referred to above are the same as those interested by Mr. Zhang Jing Xing, details of which are separately disclosed in note 12 to the Interim Financial Information.

(e) The entire issued capital of Time Lead Investments Limited is beneficially owned by Mr. Li Tung Ming, an executive director of the Company.

Save as disclosed above, as at 30 June 2005, no person, other than the directors and chief executive of the Company, whose interests are set out under the heading "Directors' and chief executive's interests and short positions 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code") as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the interim report.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

The unaudited condensed consolidated interim financial statements of the Company for the period ended 30 June 2005 have been reviewed by the audit committee before recommending it to the Board for approval.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six-months ended 30 June 2005.

CHANGE OF DIRECTOR

Mr. Lam Kam Wah resigned as an executive director of the Company with effect from 22 April 2005. The Board would like to thank Mr. Lam for his contributions to the Company during the tenure of his service.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 20 September 2005 to Friday, 23 September 2005 (both days inclusive), during which period no transfer of shares will be registered.

Dividend warrants will be despatched to shareholders on or about Wednesday, 28 September 2005. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrars in Hong Kong, Abacus Share Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 16 September 2005.

By Order of the Board
Li Kei Ling
Chairman

Hong Kong, 10 August 2005

As at the date of this report, the Board comprises eight directors, of which five are executive directors, namely Ms. Li Kei Ling, Mr. Hung Yung Lai, Mr. Zhang Jing Xing, Mr. Li Tung Ming and Mr. Xu Kehan; three are independent non-executive directors, namely Mr. Pan Xue Tian, Mr. Lee Cheuk Yin Dannis and Mr. Choi Tat Ying Jacky.

INDEPENDENT REVIEW REPORT

ERNST & YOUNG
安永會計師事務所

TO THE BOARD OF DIRECTORS OF
DAWNRAYS PHARMACEUTICAL (HOLDINGS) LIMITED
(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have been instructed by Dawnrays Pharmaceutical (Holdings) Limited (the "Company") to review the interim financial report set out on pages 19 to 50.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with International Accounting Standard 34 "Interim financial reporting" and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

REVIEW WORK PERFORMED

We conducted our review in accordance with SAS 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2005.

Ernst & Young
Certified Public Accountants

Hong Kong
10 August 2005

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2005

		For the six months ended 30 June	
		2005 (Unaudited)	2004 (Unaudited and restated)
	Notes	*RMB'000*	*RMB'000*
CONTINUING OPERATIONS			
REVENUE	3		
Sale of goods		**311,002**	252,905
Cost of sales		**(209,302)**	(160,273)
Gross profit		**101,700**	92,632
Other income	3	**1,124**	654
Selling and distribution costs		**(27,761)**	(29,445)
Administrative expenses		**(17,706)**	(18,299)
Other expenses		**(7,916)**	(8,602)
Profit from continuing operations before tax and finance costs	3	**49,441**	36,940
Finance costs	3	**(70)**	(35)
Profit before tax		**49,371**	36,905
Income tax expense	4	**(2,263)**	331
Profit for the period from continuing operations		**47,108**	37,236
Discontinued operation	5		
Loss for the period from discontinued operation		**(70)**	(53)
Profit for the period		**47,038**	37,183

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2005

		For the six months ended 30 June	
		2005	2004
		(Unaudited)	(Unaudited and restated)
	Notes	***RMB'000***	*RMB'000*
Attributable to:			
Equity holders of the parent		**47,014**	37,188
Minority interest		**24**	(5)
		47,038	37,183
Earnings per share	7		
basic for profit for the period		**RMB0.0588**	RMB0.0465
basic for profit from continuing operations		**RMB0.0589**	RMB0.0466
diluted for profit for the period		**RMB0.0588**	RMB0.0465
diluted for profit from continuing operations		**RMB0.0589**	RMB0.0466

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2005 AND 31 DECEMBER 2004

	Notes	30 June 2005 (Unaudited) RMB'000	31 December 2004 (Audited and restated) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		223,057	182,890
Land use rights		13,664	13,817
Construction in progress		6,884	40,689
Deferred development costs		14,126	13,661
		257,731	251,057
Current assets			
Inventories	8	125,739	84,766
Trade and notes receivables	9	216,848	236,010
Prepayments, deposits and other receivables		23,523	16,144
Short term investments		493	598
Cash and cash equivalents		62,819	96,566
		429,422	434,084
Non-current assets classified as held for sale	5	1,801	1,942
		431,223	436,026
TOTAL ASSETS		688,954	687,083

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2005 AND 31 DECEMBER 2004

	Notes	30 June 2005 (Unaudited) RMB'000	31 December 2004 (Audited and restated) RMB'000
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	11	84,880	84,880
Share premium		69,583	69,583
Contributed surplus	13	100,175	100,175
Statutory surplus reserve	13	32,931	32,927
Exchange fluctuation reserve		879	819
Retained profits		152,706	123,087
		441,154	411,471
Minority interest		710	716
Total equity		441,864	412,187
Current liabilities			
Trade and notes payables	10	221,424	234,275
Tax payable		1,223	2,093
Other payables and accruals		24,440	38,453
		247,087	274,821
Liabilities directly associated with non-current assets classified as held for sale	5	3	75
TOTAL LIABILITIES		247,090	274,896
TOTAL EQUITY AND LIABILITIES		688,954	687,083

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2005

(Unaudited)

	Attributable to equity holders of the parent							Minority interest	Total equity
	Issued capital	Share premium	Contributed surplus	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2005									
As previously stated	84,880	69,583	100,175	32,927	819	123,087	411,471	716	412,187
Effect of adopting IFRS 2	—	—	—	—	—	(4,255)	(4,255)	—	(4,255)
Costs of share based payment	—	—	—	—	—	4,255	4,255	—	4,255
At 1 January 2005 (restated)	84,880	69,583	100,175	32,927	819	123,087	411,471	716	412,187
Currency translation differences	—	—	—	—	67	—	67	—	67
Total income and expense for the period recognised directly in equity	84,880	69,583	100,175	32,927	886	123,087	411,538	716	412,254
Profit for the period	—	—	—	—	—	47,014	47,014	24	47,038
Transfer to statutory surplus	—	—	—	4	—	(4)	—	—	—
Total income for the period	84,880	69,583	100,175	32,931	886	170,097	458,552	740	459,292
Cost of shared-based payment	—	—	—	—	(7)	2,152	2,145	—	2,145
Equity dividends	—	—	—	—	—	(19,543)	(19,543)	(30)	(19,573)
At 30 June 2005	84,880	69,583	100,175	32,931	879	152,706	441,154	710	441,864

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	(Unaudited)								
	Attributable to equity holders of the parent							Minority interest	Total equity
	Issued capital	Share premium	Contributed surplus	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2004									
As previously stated	84,880	69,583	100,175	22,837	823	95,606	373,904	989	374,893
Effect of adopting IFRS 2	–	–	–	–	–	(535)	(535)	–	(535)
Costs of share based payment	–	–	–	–	–	535	535	–	535
At 1 January 2004 (restated)	84,880	69,583	100,175	22,837	823	95,606	373,904	989	374,893
Investment revaluation	–	–	–	–	–	(429)	(429)	–	(429)
Currency translation differences	–	–	–	–	(141)	–	(141)	–	(141)
Total income and expense for the period recognised directly in equity	84,880	69,583	100,175	22,837	682	95,177	373,334	989	374,323
Profit for the period	–	–	–	–	–	37,188	37,188	(5)	37,183
Transferred to statutory surplus	–	–	–	47	–	(47)	–	–	–
Total income for the period	84,880	69,583	100,175	22,884	682	132,318	410,522	984	411,506
Cost of shared-based payment	–	–	–	–	5	1,923	1,928	–	1,928
Equity dividends	–	–	–	–	–	(29,840)	(29,840)	(288)	(30,128)
At 30 June 2004	84,880	69,583	100,175	22,884	687	104,401	382,610	696	383,306

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Net cash flows from operating activities	**21,881**	57,553
Net cash flows used in investing activities	**(35,985)**	(64,039)
Net cash flows used in financing activities	**(19,643)**	(30,128)
Net decrease in cash and cash equivalents	**(33,747)**	(36,614)
Cash and cash equivalents at 1 January	**96,566**	134,521
Cash and cash equivalents as 30 June	**62,819**	97,907

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation and presentation

The condensed consolidated balance sheet as at 30 June 2005 and the related condensed consolidated income statement, cash flow and changes in equity for the six months ended 30 June 2005 (the "period") (collectively defined as "Interim Financial Information") of the Company and its subsidiaries (collectively, the "Group") are prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board.

The Interim Financial Information should be read in conjunction with the Auditors' report and the audited consolidated financial statements of the Group for the year ended 31 December 2004 (the "2004 Financial Statements") as set out in the 2004 annual report of the Group dated 7 March 2005.

Except for those mentioned below, the accounting policies and method of computation used in the preparation of this Interim Financial Information are consistent with those used in the 2004 Financial Statements, which have been prepared in accordance with International Financial Reporting Standards ('IFRS") under the historical cost convention, as modified by the revaluation of financial assets at fair value through the income statement.

In 2005, the Group adopted the following revised, amended and newly released IFRS which are generally effective for accounting periods beginning on or after 1 January 2005 that are relevant to its operations. The 2004 Financial Statements have been restated as required, in accordance with the relevant requirements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

- IAS 1 Presentation of Financial Statements (amended 2004);
- IAS 2 Inventories (revised 2003);
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (revised 2003);
- IAS 10 Events after the Balance Sheet Date (amended 2004);
- IAS 16 Property, Plant and Equipment (amended 2004);
- IAS 17 Leases (amended 2004);
- IAS 21 The Effects of Changes in Foreign Exchange Rates (revised 2003);
- IAS 24 Related Party Disclosures (revised 2003);
- IAS 27 Consolidated and Separate Financial Statements (amended 2004);
- IAS 32 Financial Instruments: Disclosure and Presentation (amended 2004);
- IAS 33 Earnings per Share (amended 2004);
- IAS 39 Financial Instruments: Recognition and Measurement (amended 2004);
- IFRS 2 Share-Based Payments (issued 2004); and
- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations (issued 2004).

Except for IFRS 2, the adoption of these standards did not result in substantial changes to the Group's accounting policies.

The adoption of IFRS 2 has resulted in a change in the accounting policy for share-based payments. Prior to the adoption of IFRS 2, provision of share options did not result in a charge in the income statement. With the adoption of IFRS 2, the costs of share options is required to be charged to the income statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

The adoption of IFRS 2 by the Group required retrospective application of all the share options granted after 11 July 2003 and had not vested as at 1 January 2005, which has resulted in the following:

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Decrease in retained profits	**4,255**	535
Increase in selling and distribution costs	**497**	533
Increase in administrative expenses	**1,648**	1,395
Decrease in basic earnings per share	**RMB0.003**	RMB0.002
Decrease in diluted earnings per share	**RMB0.003**	RMB0.002

1.2 Accounting policies of share-based payment transactions

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible persons (including the Company's directors, employees of the Group and other eligible participants as defined under the Scheme) who contribute to the success of the Group's operations.

Equity-settled transactions

The cost of equity-settled transactions with eligible person is measured by reference to the fair value at the date at which they are granted. The fair value is determined using Black-Scholes-Merton valuation model, further details of which are given in note 12. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions").

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant eligible persons become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earning per share (see note 7).

2. SEGMENT INFORMATION

The Group's turnover and profit were mainly derived from the sale of medicines by the People's Republic of China (the "PRC") subsidiaries to customers in the PRC. The principal assets employed by the Group are located in the PRC. Accordingly, no segment analysis by business and geographical segments is provided.

3. REVENUES AND EXPENSES

	For the six months ended 30 June 2005 (Unaudited) RMB'000	For the six months ended 30 June 2004 (Unaudited and restated) RMB'000
Included in the profit before income tax are the following revenue items:		
Sale of goods	**311,089**	253,023
Less: Business tax and government surcharges	**(87)**	(118)
Total turnover	**311,002**	252,905
Interest income from bank balances	**487**	529
Dividend income from listed investments	**—**	62
Government grants	**200**	—
Others	**437**	63
Total other income	**1,124**	654
Profit before income tax is arrived at after charging:		
Cost of the inventories sold	**209,302**	160,273
Amortization of deferred development costs	**429**	374
Amortization of land use rights	**153**	151
Depreciation	**8,170**	5,659
Loss on disposal of property, plant and equipment	**413**	1,160
Minimum lease payments under operating lease rental in respect of buildings	**486**	448
Exchange losses, net	**50**	22
Realised and unrealised loss on investments in trading securities	**105**	84
Finance costs:		
Bank charges and others	**70**	35
Total finance costs	**70**	35

3. REVENUES AND EXPENSES *(Cont'd)*

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Staff costs:		
Salaries and other staff costs	**18,557**	20,111
Retirement costs	**727**	1,507
Accommodation benefits	**518**	723
Expense of share-based payments	**2,145**	1,928
Total staff costs	**21,947**	24,269
Research and development costs	**7,225**	7,327

4. INCOME TAX

(a) Income tax expense

The income tax expense, all current, charged to the consolidated income statement for the six months ended 30 June 2005 was as follows:

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Income tax expense	**2,263**	1,540
Tax refund	**—**	(1,871)
	2,263	(331)

4. INCOME TAX *(Cont'd)*

No provision for Hong Kong profits tax has been made as the Group had no profits arising in Hong Kong during the period.

According to the Income Tax Law of the PRC, four subsidiaries of the Company, namely Suzhou Dawnrays Pharmaceuticals Co. Ltd. ("Suzhou Dawnrays Pharmaceuticals"), Suzhou Dawnrays Chemical Co., Ltd. ("Suzhou Dawnrays Chemical"), Suzhou Dawnrays Pharmaceutical Technology Co. Ltd. ("Suzhou Dawnrays Technology") and Shanghai Dawnrays Chemical Co., Ltd. ("Shanghai Dawnrays Chemical"), which operate in approved economic development zones of the PRC, are exempted from corporate income tax of the PRC for the two years starting from the first profitable year of operation, after setting off losses carried forward, and are entitled to a 50% relief from corporate income tax of the PRC for the following three years.

Suzhou Dawnrays Pharmaceuticals was in its fifth profitable year in 2005 and therefore its applicable income tax rate was 12%. However, Suzhou Dawnrays Pharmaceuticals obtained tax approval from the relevant tax authorities as a qualified foreign-owned manufacturing enterprise engaging in technology-intensive and knowledge-intensive projects ("Double-intensive Enterprise") in 2004. According to PRC tax laws and regulations, Suzhou Dawnrays Pharmaceuticals is subject to the corporate income tax of the PRC at 7.5% from 1 January 2003 to 31 December 2005, and at 15% from 1 January 2006 onwards. Its status as a Double-intensive Enterprise is subject to periodic reassessment by the relevant PRC government authorities.

The paid up capital of Suzhou Dawnrays Pharmaceuticals was increased by US$15,000,000 from US$10,000,000 to US$25,000,000 in 2004. According to PRC tax laws and regulations, taxable profits generated in the first two years and the three years thereafter from the aforesaid additional capital is exempted from corporate income tax and taxed at 50% reduced rate, respectively. The relevant PRC tax laws and regulations also granted qualified enterprises an option to commence such tax concession on taxable profit in the following year after the additional capital has been contributed. The tax concession has been applied on the profit generated from the additional capital injected in the period.

4. INCOME TAX *(Cont'd)*

Shanghai Dawnrays Chemical is in its fourth profitable year based on the income for statutory financial reporting purposes. It is subject to the corporate income tax of the PRC at a rate of 12% and local corporate income tax at a rate of 1.5% from 1 January 2004 to 31 December 2006.

Suzhou Dawnrays Chemical is in its first profitable year and therefore, no provision for income tax has been made during the period. As of 30 June 2005, Suzhou Dawnrays Technology was under liquidation and has no taxable income thereof.

No provision for deferred tax has been made as the net effect of all temporary difference is immaterial.

For the six months ended 30 June 2005 (Unaudited)

	RMB'000	**%**
Profit before tax (continuing and discontinued operations)	**49,301**	
Tax at the statutory tax rate	**16,269**	**33.0**
Lower tax rate for specific provinces or local authorities	**(15,025)**	**(30.5)**
Expenses not deductible for tax	**1,019**	**2.1**
Tax charge at the Group's effective rate	**2,263**	**4.6**

For the six months ended 30 June 2004 (Unaudited and restated)

	RMB'000	%
Profit before tax (continuing and discontinued operations)	36,852	
Tax at the statutory tax rate	12,161	33.0
Lower tax rate for specific provinces or local authorities	(11,880)	(32.2)
Expenses not deductible for tax	1,259	3.4
Tax charge at the Group's effective rate	1,540	4.1

4. INCOME TAX *(Cont'd)*

(b) Tax refund

As Suzhou Dawnrays Pharmaceuticals is an approved Double-intensive Enterprise as mentioned above, Suzhou Dawnrays Pharmaceuticals received a refund of the excess of the corporate income tax paid in 2003 in relation to the aforesaid reduced corporate income tax rate amounting to RMB4,818,000 in 2004.

Pursuant to board resolutions of Suzhou Dawnrays Pharmaceuticals dated 15 December 2003 and 8 March 2004, Suzhou Dawnrays Pharmaceuticals declared a dividend of RMB82,205,630 to Dawnrays International Company Limited ("Dawnrays International") pertaining to the year ended 31 December 2003. Pursuant to a board resolution of Dawnrays International dated 18 December 2003 and 9 March 2004, Dawnrays International reinvested the aforesaid dividend of RMB82,205,630 into Suzhou Dawnrays Pharmaceuticals. According to PRC tax laws and regulations, Dawnrays International accrued a tax refund in relation to the aforesaid reinvestment amounting to RMB9,708,000 in 2003, based on the then effective corporate income tax of 12%. As Suzhou Dawnrays Pharmaceuticals is now an approved Double-intensive Enterprise, Dawnrays International reduced the tax refund accrued in relation to the aforesaid reinvestment to RMB6,612,000 by RMB3,096,000 which has been charged to tax expense in 2004.

During the period, the tax authority has approved a tax refund of RMB6,436,000. Accordingly, Dawnrays International reversed an over accrual of the tax refund amounting to RMB176,000 during the period. Suzhou Dawnrays Pharmaceuticals received 40% of the refund from the tax authority amounting to RMB2,574,000 in June 2005. In July 2005, the remaining 60% thereof amounting to RMB3,862,000 has also been received by Suzhou Dawnrays Pharmaceuticals.

5. DISCONTINUED OPERATION

On 22 April 2005, the board of directors of Suzhou Dawnrays Technology passed a resolution to voluntarily wind up the company, which has remained relatively dormant since its incorporation. As of 30 June 2005, Suzhou Dawnrays Technology has not completed the relevant procedures and has been classified as a discontinued operation.

The results of Suzhou Dawnrays Technology for the period are presented below:

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income	**30**	—
Expenses	**(100)**	(53)
Net loss attributable to discontinued operation	**(70)**	(53)

The major classes of assets and liabilities of Suzhou Dawnrays Technology at the lower of carrying amount and fair value less costs to dispose as at 30 June 2005 are as follows:

	30 June	31 December
	(Unaudited)	(Audited and restated)
	2005	2004
	RMB'000	*RMB'000*
Assets		
Property, plant and equipment	**—**	126
Cash	**1,801**	1,816
Non-current assets classified as held for sale	**1,801**	1,942
Liabilities		
Creditors	**(3)**	(75)
Liabilities directly associated with non-current assets classified as held for sale	**(3)**	(75)
Net assets attributable to discontinued operation	**1,798**	1,867

5. DISCONTINUED OPERATION *(Cont'd)*

The net cash flows incurred by Suzhou Dawnrays Technology are as follows:

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Operating	**(148)**	(329)
Net cash outflow	**(148)**	(329)
Earnings per share:		
Basic from discontinued operation	**(RMB0.0001)**	(RMB0.0001)
Diluted from discontinued operation	**(RMB0.0001)**	(RMB0.0001)

6. DIVIDENDS

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Dividend pertaining to the prior year declared in the six months ended 30 June	**19,543**	29,840
Interim – HK$0.015 (2004: HK$0.015) per ordinary share	**12,779**	12,760
	32,322	42,600

On 10 August 2005, the Company declared an interim dividend for the year ending 31 December 2005, at HK$0.015 per share, amounting to a total sum of HK$12,000,000 (equivalent to RMB12,779,000).

7. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share amounts are calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of dilutive options).

The following reflects the income and share data used in the total operations basic earnings per share computations:

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Net profit attributable to equity holders from continuing operations	**47,084**	37,241
Loss attributable to equity holders from discontinued operation	**(70)**	(53)
Net profit attributable to equity holders of the parent	**47,014**	37,188

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these Interim Financial Information.

7. EARNINGS PER SHARE *(Cont'd)*

To calculate discontinued earnings per share, the following table provides the profit figure used as the numerator:

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Net loss attributable to ordinary shareholders from discontinued operation for basic earnings per share	**(70)**	(53)
Net loss attributable to ordinary shareholders from discontinued operation for diluted earnings per share	**(70)**	(53)

The calculation of basic earnings per share for continuing operations and discontinued operation for the period is based on the above net profit attributable to equity holders from continuing operations and loss attributable to equity holders from discontinued operation, respectively, and the weighted average of 800,000,000 (30 June 2004: 800,000,000) ordinary shares in issue during the period.

As the exercise price of outstanding share options is higher than the average fair value of the ordinary share during the period, the conversion to ordinary shares would increase earnings per share. As such, the share options outstanding during the period had an anti-dilutive effect on the basic earnings per share calculation.

8. INVENTORIES

	30 June 2005 (Unaudited) *RMB'000*	31 December 2004 (Audited) *RMB'000*
Raw materials	**15,487**	13,759
Work in progress	**86,822**	48,645
Finished goods	**23,430**	22,362
	125,739	84,766

No inventories were stated at net realisable value at 30 June 2005 (31 December 2004: Nil).

9. TRADE AND NOTES RECEIVABLES

An aged analysis of the trade and notes receivables as at the balance sheet date, based on invoice date is as follows:

	30 June 2005 (Unaudited) *RMB'000*	31 December 2004 (Audited) *RMB'000*
Trade receivables		
Outstanding balances with ages:		
Within 90 days	**105,766**	119,210
Between 91 to 180 days	**14,142**	2,932
Between 181 to 270 days	**1,325**	1,135
Between 271 to 360 days	**145**	990
Over one year	**578**	199
	121,956	124,466
Notes receivables		
Outstanding balances with ages:		
Within 90 days	**60,049**	54,318
Between 91 to 180 days	**35,353**	57,736
	95,402	112,054
Less: Provision for bad and doubtful debts	**(510)**	(510)
	216,848	236,010

10. TRADE AND NOTES PAYABLES

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

	30 June 2005 (Unaudited) *RMB'000*	31 December 2004 (Audited) *RMB'000*
Outstanding balances with ages:		
Within 90 days	**111,099**	107,486
Between 91 to 180 days	**109,871**	126,472
Between 181 to 270 days	**182**	42
Between 271 to 360 days	**50**	41
Over one year	**222**	234
	221,424	234,275

11. SHARE CAPITAL

Shares

	30 June 2005 (Unaudited) *HK$'000*	31 December 2004 (Audited) *HK$'000*
Authorised:		
10,000,000,000 (31 December 2004: 10,000,000,000) ordinary shares of HK$0.1 each	1,000,000	1,000,000
Issued and fully paid:		
800,000,000 (31 December 2004: 800,000,000) ordinary shares of HK$0.1 each	80,000	80,000
Equivalent to RMB'000	84,880	84,880

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in the note 12 to the Interim Financial Information.

12. SHARE OPTION SCHEME

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible persons (including the Company's directors, employees of the Group and other eligible participants as defined under the Scheme) who contribute to the success of the Group's operations. The Scheme was adopted on 21 June 2003 and will remain in force for 10 years from that date until 20 June 2013.

The maximum number of shares currently permitted to be issued upon the exercise of options under the Scheme is an equivalent to 10% of the shares of the Company in issue upon listing (unless refreshed) which is 80,000,000 shares, which represents 10% of the issued share capital of the Company at the date of this interim report. The maximum number of shares issuable under share options to each eligible person in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at that time. Any further grant of share options in excess of this limit is subject to shareholders' separately approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

12. SHARE OPTION SCHEME *(Cont'd)*

An option may be exercised in accordance with the terms of the Scheme at any time during a period commencing on such date on or after the date on which the option is granted as the Board may determine in granting the option and expiring at the close of business on such date as the Board may determine in granting the option but in any event shall not exceed ten years from the date of grant.

A non-refundable remittance of HK$10 by way of consideration for the grant of an option is required to be paid by each grantee upon acceptance of the option.

The exercise price of the share option is determined by the directors, but shall not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer, provided that the exercise price shall not be less than the nominal value of the ordinary shares of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

12. SHARE OPTION SCHEME *(Cont'd)*

The following share options were outstanding under the Scheme during the period:

Name or category of participant	Number of share options: At 1 January 2005	Granted during the period	Lapsed during the period*(e)*	At 30 June 2005	Date of grant of share options*(a)*	Exercise period of share options	Exercise price of share options*(b)* HK$	Price of the Company's shares*(c)*: At immediate date before the grant HK$	At exercise date of options HK$
Directors									
Ms. Li Kei Ling	700,000	—	—	700,000	11-11-03	11-11-04 to 10-11-07	0.83	0.87	N/A
Mr. Hung Yung Lai	700,000	—	—	700,000	11-11-03	11-11-04 to 10-11-07	0.83	0.87	N/A
Mr. Zhang Jing Xing	1,500,000	—	—	1,500,000	11-11-03	11-11-04 to 10-11-07	0.83	0.87	N/A
Mr. Li Tung Ming	1,048,000	—	—	1,048,000	11-11-03	11-11-04 to 10-11-07	0.83	0.87	N/A
Mr. Xu Kehan	548,000	—	—	548,000	11-11-03	11-11-04 to 10-11-07	0.83	0.87	N/A
	1,500,000	—	—	1,500,000	17-11-04	17-11-05 to 16-11-10	0.63	0.62	N/A
	2,048,000	—	—	2,048,000					

12. SHARE OPTION SCHEME *(Cont'd)*

Name or category of participant	Number of share options: At 1 January 2005	Granted during the period	Lapsed during the period*(e)*	At 30 June 2005	Date of grant of share options*(a)*	Exercise period of share options	Exercise price of share options*(b)* HK$	Price of the Company's shares*(c)*: At immediate date before the grant HK$	At exercise date of options HK$
Chief executive									
Mr. Dong Shao Zhi	2,000,000	—	—	2,000,000	17-11-04	17-11-05 to 16-11-10	0.63	0.62	N/A
Other employees *(d)*									
In aggregate	31,936,000	—	(1,620,000)	30,316,000	11-11-03	11-11-04 to 10-11-07	0.83	0.87	N/A
	1,000,000	—	—	1,000,000	17-11-04	17-11-05 to 16-11-10	0.63	0.62	N/A
	23,360,000	—	(600,000)	22,760,000	28-12-04	28-12-05 to 27-12-10	0.58	0.59	N/A
	56,296,000	—	(2,220,000)	54,076,000					
Other participant									
	—	400,000	—	400,000	05-05-05	05-05-06 to 04-05-09	0.50	0.49	N/A
	64,292,000	400,000	(2,220,000)	62,472,000					

12. SHARE OPTION SCHEME *(Cont'd)*

(a) All options granted on 11 November 2003 are subject to a vesting period of 1 to 3 years with 20% becoming exercisable on the first anniversary, 30% on the second anniversary and 50% on the third anniversary of the date of grant.

All options granted on 17 November 2004 and 28 December 2004 are subject to a vesting period of 1 to 5 years with 20% becoming exercisable on the first anniversary, 20% on the second anniversary, 20% on the third anniversary, 20% on the fourth anniversary and 20% on the fifth anniversary of the respective date of grant.

All options granted on 5 May 2005 are subject to a vesting period of 1 to 3 years with 25% becoming exercisable on the first anniversary, 37.5% on the second anniversary and 37.5% on the third anniversary of the date of grant.

(b) The exercise price of the share options is subject to adjustment in accordance with the terms of the Scheme in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(c) The price of the Company's shares disclosed as at immediate date before the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices.

(d) Mr. Lam Kam Wah has resigned as an executive director of the Company on 22 April 2005 but remains as the vice president of the Company, the share options granted to him are then regrouped under "Other employees".

(e) Options lapsed in accordance with the terms of the Scheme due to resignation of employees.

12. SHARE OPTION SCHEME *(Cont'd)*

For the six months ended 30 June 2005, no share options were cancelled or exercised. At the balance sheet date, the Company had 62,472,000 share options outstanding under the Scheme, which represented approximately 7.8% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 62,472,000 additional ordinary shares of the Company, additional share capital of HK$6,247,200 and share premium of HK$38,882,560 (before share issue expenses).

The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the valuation model used. The fair values of the options granted to eligible persons, determined using the Black-Scholes-Merton valuation model during the periods are as follows:

Date of grant	11/11/2003	17/11/2004	28/12/2004	5/5/2005
Options' fair value (HK$'000)	7,240	648	3,224	45
Number of options	40,000,000	4,500,000	23,360,000	400,000
Exercise price (HK$)	0.83	0.63	0.58	0.50
Closing share price at date of grant (HK$)	0.83	0.63	0.58	0.49
Risk free rate (Note (i))	1.52%-2.91%	1.22%-2.74%	1.04%-2.91%	2.35%-2.89%
Dividend yield (Note (ii))	6.11%	6.11%	6.11%	6.11%
Expected volatility (Note (iii))	41%	47%	46%	47%

Notes:

(i) The risk free rate applied for the options granted were determined by reference to the yield of Hong Kong Government Exchange Fund Notes;

(ii) The Company has demonstrated a stable dividend yield in past years and thus, it uses its historical dividend yield to estimate the fair value of its options. The dividend yield applied is 6.11%;

12. SHARE OPTION SCHEME *(Cont'd)*

(iii) The volatility measured as the standard deviation of expected share price returns is determined based on the average daily trading price volatility of the shares of the Company since their Initial Public Offering to the valuation dates.

13. RESERVES

The amounts of the reserves and the movements therein for the six months periods are presented in the condensed consolidated statement of changes in equity on page 23 to 24 of the Interim Financial Information.

(i) Contributed surplus

The contribution surplus of the Group represents the difference between the aggregate of the nominal value of the paid-up capital of the subsidiaries acquired pursuant to the Group Reorganisation (details are set out in the 2004 annual report of the Group dated 7 March 2005), over the nominal value of the Company's shares issued in exchange therefor. The contribution surplus of the Company represents the excess of the then consolidated net assets of the subsidiaries acquired pursuant to the Group Reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

(ii) Statutory surplus reserve ("SSR")

In accordance with the Company Law of the PRC and the articles of association of the PRC Subsidiaries, the PRC Subsidiaries are each required to allocate 10% of their profit after tax, as determined in accordance with PRC General Accepted Accounting Principles, to the SSR until such reserve reaches 50% of the registered capital of the PRC Subsidiaries. Part of the SSR may be converted to increase paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

14. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 30 June 2005 amounted to approximately RMB441,867,000 (31 December 2004: RMB412,262,000). The Group's net current assets as at 30 June 2005 amounted to approximately RMB182,335,000 (31 December 2004: RMB159,263,000).

15. COMMITMENTS

(a) Lease commitments

At 30 June 2005, the Group had total future minimum lease rentals payable under non-cancellable operating leases falling due as follows:

	30 June 2005 (Unaudited) *RMB'000*	31 December 2004 (Audited) *RMB'000*
Within one year	642	1,131
In the second to fifth years, inclusive	2,053	1,855
After five years	647	971
	3,342	3,957

(b) Capital commitments

	30 June 2005 (Unaudited) *RMB'000*	31 December 2004 (Audited) *RMB'000*
Contracted, but not provided for:		
Land use rights	—	631
Buildings	—	3,420
Plant and machinery	25,505	4,965
	25,505	9,016
Authorised, but not contracted for:		
Buildings	9,693	—
Plant and machinery	23,571	82,973
	33,264	82,973
	58,769	91,989

16. RELATED PARTY TRANSACTIONS

There were no material related parties transactions occurred during the period.

17. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group is exposed to market risk, including primarily, changes in interest rates. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group does not hedge interest rate fluctuations.

Exchange rate risk

The Group did not have significant exposure to market risk for changes in foreign currency exchange rates for the period.

Credit risk

Credit risk arising from the inability of a counterpart to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterpart's obligations exceed the obligations of the Group. The Group minimises its exposure to credit risk by only dealing with counterparts with acceptable credit ratings.

Net fair values

The aggregate net fair values of the financial assets and financial liabilities of the Group are not materially different from their carrying amounts.

Credit risk exposures

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other securities held) in the event that the counterparts fail to perform their obligations as at 30 June 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

17. FINANCIAL INSTRUMENTS (Cont'd)

Significant concentrations of credit risk

Concentration of credit risk exists when changes in economic, industrial or geographic factors similarly affect groups of counterparts whose aggregate credit exposure is significant in relation to the Group's total credit exposure. Significant concentration of credit risk arises from exposure to substantial amounts due from hospitals and medical institutions operating in the PRC.

18. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 10 August 2005.