

1 Condensed Consolidated Balance Sheet

		(unaudited) At 30th June 2005 RMB'000	(As restated) (audited) At 31st December 2004 RMB'000
	Notes		
Assets			
Non-current assets			
Technical know-how	4	3,052	3,440
Land use rights and leasehold land	4	94,347	68,551
Property, plant and equipment	4	757,363	700,194
Construction-in-progress	4	132,385	221,164
Interest in an associated company		31,603	22,893
Available-for-sale investments		172,136	171,833
		<u>1,190,886</u>	<u>1,188,075</u>
Current assets			
Inventories		238,677	300,253
Trade and bills receivables	5	362,675	324,338
Other receivables, deposits and prepayment		67,817	61,471
Export value-added-tax recoverable		—	2,814
Amount due from an immediate holding company		64,035	41,467
Trading investments		54,039	58,551
Income tax recoverable		—	538
Cash and cash equivalents		430,538	337,933
		<u>1,217,781</u>	<u>1,127,365</u>
Total assets		<u>2,408,667</u>	<u>2,315,440</u>
Equity			
Share capital	8	457,313	457,313
Retained earnings		192,928	179,406
Other reserves		732,603	732,603
Shareholders' equity		1,382,844	1,369,322
Minority interests		4,113	4,284
Total equity		<u>1,386,957</u>	<u>1,373,606</u>
Liabilities			
Non-current liabilities			
Deferred tax liabilities		430	153
Current liabilities			
Trade and bills payables	6	305,616	307,769
Other payables and accrued charges		63,007	77,627
Tax payable		1,841	—
Short-term bank loan, unsecured	7	400,816	306,285
Current portion of long-term bank loan, unsecured	7	250,000	250,000
		<u>1,021,280</u>	<u>941,681</u>
Total liabilities		<u>1,021,710</u>	<u>941,834</u>
Total equity and liabilities		<u>2,408,667</u>	<u>2,315,440</u>
Net current assets		<u>196,501</u>	<u>185,684</u>
Total assets less current liabilities		<u>1,387,387</u>	<u>1,373,759</u>

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2 Condensed Consolidated Income Statement

		(unaudited) For the six months ended 30th June 2005 RMB'000	(unaudited) For the six months ended 30th June 2004 RMB'000
	<i>Notes</i>		
Turnover	3	878,716	806,803
Cost of goods sold		(713,365)	(658,943)
Gross profit		165,351	147,860
Other revenues		6,658	3,836
Selling expenses	9	(85,383)	(66,364)
Administrative expenses	9	(51,116)	(44,924)
Other operating expenses	9	(4,273)	(4,490)
Operating profit		31,237	35,918
Finance costs		(11,175)	(7,873)
Share of loss of an associated company		(1,516)	—
Profit before taxation		18,546	28,045
Taxation	10	(5,195)	(4,187)
Profit after taxation		13,351	23,858
Attributable to:			
Minority interests		(171)	(88)
Equity holders of the Company		13,522	23,946
		13,351	23,858
Earnings per share for the profit attributable to the equity holders of the Company during the year - basic	11	RMB0.0296	RMB0.0524
Interim dividend	12	—	—

3 Condensed Consolidated Statement of Changes in Equity

	(unaudited)				
	Shareholders			Minority interests	Total
	Share capital	Other reserves	Retained earnings		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1st January 2004, as previously reported as equity	457,313	732,603	250,184	—	1,440,100
Balance at 1st January 2004, as previously reported as minority interests	—	—	—	3,970	3,970
Balance at 1st January 2004, as restated	<u>457,313</u>	<u>732,603</u>	<u>250,184</u>	<u>3,970</u>	<u>1,444,070</u>
2003 Final dividend paid	—	—	(18,293)	—	(18,293)
Exchange difference	—	(1,497)	—	—	(1,497)
Profit/(loss) for the period	—	—	23,946	(88)	23,858
Balance at 30th June 2004	<u>457,313</u>	<u>731,106</u>	<u>255,837</u>	<u>3,882</u>	<u>1,448,138</u>
Balance at 1st January 2005, as previously reported as equity	457,313	732,603	179,406	—	1,369,322
Balance at 1st January 2005, as previously reported as minority interests	—	—	—	4,284	4,284
Balance at 1st January 2005, as restated	<u>457,313</u>	<u>732,603</u>	<u>179,406</u>	<u>4,284</u>	<u>1,373,606</u>
Profit/(loss) for the period	—	—	13,522	(171)	13,351
Balance at 30th June 2005	<u>457,313</u>	<u>732,603</u>	<u>192,928</u>	<u>4,113</u>	<u>1,386,957</u>

4 Condensed Consolidated Cash Flow Statement

	(unaudited) For the six months ended 30th June 2005 RMB'000	(unaudited) For the six months ended 30th June 2004 RMB'000
Net cash inflow/(outflow)from operating activities	55,884	(21,895)
Net cash outflow from investing activities	(57,810)	(123,450)
Net cash inflow from financing	<u>94,531</u>	<u>228,647</u>
Increase in cash and cash equivalents	92,605	83,302
Cash and cash equivalents at 1st January	<u>337,933</u>	<u>413,986</u>
Cash and cash equivalents at 30th June	<u>430,538</u>	<u>497,288</u>
Analysis of the balances of cash and cash equivalents:		
Cash and cash equivalents	<u>430,538</u>	<u>497,288</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 Basis of preparation

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st December 2004 except that the Group has changed certain of its accounting policies following its adoption of new / revised Hong Kong Financial Reporting Standards (“HKFRS”) and HKASs (collectively referred to as “new HKFRSs”) which are effective for accounting periods commencing on or after 1st January 2005.

This interim financial information has been prepared in accordance with those new HKFRSs and interpretations issued and effective as at the time of preparing this information (July 2005). The new HKFRSs and interpretations that will be applicable at 31st December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this condensed interim consolidated financial information.

The changes to the Group’s accounting policies and the effect of adopting these new HKFRSs are set out in note 2 below.

2 Changes in accounting policies

In 2005, the Group adopted the new HKFRSs below, which are relevant to its operations. The 2004 comparative figures have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing cost
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS-Int-15	Operating Leases - Incentives
HKFRS 3	Business Combinations

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 20, 21, 23, 24, 27, 28, 31, 33, 36, 37, 38, HKAS-Int 15 and HKFRS 3 did not result in substantial changes to the Group’s accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.
- HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 20, 21, 23, 24, 27, 28, 31, 33, 36, 37, 38 HKAS-Ints 15 and HKFRS 3 had no material effect on the Group’s policies.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, land use rights were stated at revalued amounts less accumulated depreciation and accumulated impairment losses.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

Effect of adopting HKAS 17 and HKASs 32 and 39 on condensed consolidated income statement:

	For six months ended 30th June 2005 HKAS 32 and 39			For six months ended 30th June 2004 HKAS 32 and 39		
	HKAS 17 RMB'000	RMB'000	Total RMB'000	HKAS 17 RMB'000	RMB'000	Total RMB'000
Increase of other operating expenses	—	4,000	4,000	—	—	—
Decrease in profit	—	(4,000)	(4,000)	—	—	—

Effect of adopting HKAS 17 and HKASs 32 and 39 on condensed consolidated balance sheet:

	At 30th June 2005 HKAS 32 and 39			At 31st December 2004 HKAS 32 and 39		
	HKAS 17 RMB'000	RMB'000	Total RMB'000	HKAS 17 RMB'000	RMB'000	Total RMB'000
Decrease in trading investments	—	(4,000)	(4,000)	—	—	—
Decrease in property, plant and equipment	(94,347)	—	(94,347)	(68,551)	—	(68,551)
Increase in land use rights and leasehold land	94,347	—	94,347	68,551	—	68,551
Decrease in equity	—	(4,000)	(4,000)	—	—	—

3 Segment information

The Group is principally engaged in the development, production and sales of pharmaceutical products including bulk pharmaceuticals, preparations (e.g. tablets and injections), chemicals and other products. Its major place of operation is in the PRC.

(i) By business segments:

	(unaudited) For the six months ended 30th June 2005			(unaudited) For the six month ended 30th June 2004		
	Pharmaceutical business RMB'000	Other operations RMB'000	Group RMB'000	Pharmaceutical business RMB'000	Other operations RMB'000	Group RMB'000
Segment revenues	875,466	3,250	878,716	806,803	—	806,803
Segment results	28,499	2,738	31,237	34,466	1,452	35,918
Finance costs			(11,175)			(7,873)
Share of loss of an associated company			(1,516)			—
Profit before taxation			18,546			28,045
Taxation			(5,195)			(4,187)
Profit for the year			13,351			23,858
Capital expenditure	42,316	—	42,316	95,118	—	95,118
Depreciation	46,644	—	46,644	43,227	—	43,227
Amortisation of technical know-how	388	—	388	401	—	401

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	(unaudited) At 30th June 2005			(audited) At 31st December 2004		
	Pharmaceutical business RMB'000	Other operations RMB'000	Group RMB'000	Pharmaceutical business RMB'000	Other operations RMB'000	Group RMB'000
Segment assets	2,119,286	257,778	2,377,064	2,056,952	235,057	2,292,009
Interest in an associated company	31,603	—	31,603	22,893	—	22,893
Unallocated assets	—	—	—	—	—	538
Total assets			<u>2,408,667</u>			<u>2,315,440</u>
Segment liabilities	(1,019,439)	—	(1,019,439)	(941,681)	—	(941,681)
Unallocated liabilities	—	—	(2,271)	—	—	(153)
Total liabilities			<u>(1,021,710)</u>			<u>(941,834)</u>

(ii) By geographical location of customers:

	(unaudited) Segment revenues		(unaudited) Segment results	
	Six months ended 30th June 2005 RMB'000	Six months ended 30th June 2004 RMB'000	Six months ended 30th June 2005 RMB'000	Six months ended 30th June 2004 RMB'000
PRC (including Hong Kong)	625,808	524,836	119,320	107,651
Europe	123,210	103,370	18,121	13,637
America	78,074	126,249	8,643	15,427
Others	51,624	52,348	18,378	14,981
	<u>878,716</u>	<u>806,803</u>	<u>164,462</u>	<u>151,696</u>
Unallocated costs			(133,225)	(115,778)
Operating profit			<u>31,237</u>	<u>35,918</u>

4 Capital expenditures

	(unaudited) (as restated) At 30th June 2005				Total RMB'000
	Land use rights and leasehold land RMB'000	Technical know-how RMB'000	Properties, plant and equipment RMB'000	Construction in progress RMB'000	
Net book value at 1st January 2005	68,551	3,440	700,194	221,164	993,349
Additions	—	—	2,433	39,883	42,316
Disposals	—	—	(254)	—	(254)
Transfer upon completion	27,028	—	101,634	(128,662)	—
Depreciation/amortization	(1,232)	(388)	(46,644)	—	(48,264)
Net book value at 30th June 2005	<u>94,347</u>	<u>3,052</u>	<u>757,363</u>	<u>132,385</u>	<u>987,147</u>

5 Trade and bills receivables

At 30th June 2005, the aging analysis of the trade and bills receivables were as follows:

	(unaudited) At 30th June 2005 RMB'000	(audited) At 31st December 2004 RMB'000
Within one year	343,862	303,801
One to two years	12,287	16,170
Two to three years	6,526	4,367
Total	<u>362,675</u>	<u>324,338</u>

The Group's and the Company's turnover from export sales is on letter of credit or documents against payment. The remaining balances of turnover are on open account terms which are partially covered by customers' stand-by letter of credit or bank guarantees.

6 Trade and bills payables

At 30th June 2005, the ageing analysis of the trade and bills payables were as follows:

	(unaudited) At 30th June 2005 RMB'000	(audited) At 31st December 2004 RMB'000
Within one year	300,516	302,789
One to two years	1,208	855
Two to three years	1,045	579
Over three years	2,847	3,546
Total	<u>305,616</u>	<u>307,769</u>

7 Bank loans

As at 30th June 2005, the Group's bank loans were repayable as follows:

	(unaudited) At 30th June 2005 RMB'000	(audited) At 31st December 2004 RMB'000
Within one year	<u>650,816</u>	<u>556,285</u>

8 Share capital

	(unaudited) At 30th June 2005 RMB'000	(audited) At 31st December 2004 RMB'000
Registered		
307,312,830 (2004: 307,312,830) A Shares of RMB1.00 each	307,313	307,313
150,000,000 (2004: 150,000,000) H Shares of RMB1.00 each	<u>150,000</u>	<u>150,000</u>
	<u>457,313</u>	<u>457,313</u>
Issued and fully paid 307,312,830 (2004: 307,312,830) A Shares of RMB1.00 each divided into:		
State shares	214,440	214,440
Legal person shares	16,720	16,720
Individual shares	<u>76,153</u>	<u>76,153</u>
	<u>307,313</u>	<u>307,313</u>
150,000,000 (2004: 150,000,000) H Shares of RMB1.00 each	<u>150,000</u>	<u>150,000</u>
	<u>457,313</u>	<u>457,313</u>

9 Expenses by nature

Expenses/(income) included in selling expenses, administrative expenses and other operating expenses are analyzed as follows:

	(unaudited) Six months ended 30th June 2005 RMB'000	(unaudited) Six months ended 30th June 2004 RMB'000
Depreciation of owned fixed asset	46,644	43,227
Amortisation of technical know-how	388	401
Staff costs (excluding directors' emoluments)	41,652	41,483
Contributions to retirement scheme	8,982	10,044
Gain on disposal of fixed assets	(824)	(890)

10 Taxation

The amount of taxation charged to the condensed consolidated income statement represents:

	(unaudited) Six months ended 30th June 2005 RMB'000	(unaudited) Six months ended 30th June 2004 RMB'000
PRC enterprise income tax	4,918	5,109
Deferred taxation	277	(922)
	<u>5,195</u>	<u>4,187</u>

- (a) The Company is located in the high-technology economic zone of City and is entitled to preferential PRC enterprise income tax rate of 15% from year 2002, according to Guo Shui Fa No.151 "The notice of applying favourable tax policies for the new and high technology companies" issued by State Administration of Taxation. The company has obtained the relevant approvals from the local tax bureau. From year 2004, the operating results of the company derived from business conducted in the high-technology economic zone is subject to a preferential income tax rate of 15% while the business conducted outside the high-technology economic zone is subject to an income tax rate of 33%. This has been filed with the local tax bureau as a record.
- (b) No provision for Hong Kong profits tax has been made in the condensed consolidated financial information as the Group has no income assessable to Hong Kong profits tax for the six months ended 30th June 2005 and 2004.

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the tax rate applicable to the Group as follows:

	(unaudited) Six months ended 30th June 2005 RMB'000	(unaudited) Six months ended 30th June 2004 RMB'000
Profit before taxation	18,546	28,045
Tax calculated at 33% (2004:33%)	6,120	9,255
Effect of preferential tax rate in the PRC	(1,944)	(5,048)
Income not subject to taxation	—	(20)
Expenses not deductible for tax purposes	1,019	—
	<u>5,195</u>	<u>4,187</u>

11 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of RMB 13,522,000 (2004: RMB23,946,000) and based on the weighted average of 457,312,830 shares (2004: 457,312,830 shares) in issue during the period.

There was no dilution effect on the basic earnings per share for the six months ended 30th June 2005 and 2004 as there were no dilutive shares outstanding during the six months ended 30th June 2005 and 2004.

12 Interim dividend

The Board of the Directors did not recommend the payment of an interim dividend for the six months ended 30th June 2005 (2004: Nil).

13 Capital Commitments

At 30th June 2005, the Group had the following capital commitments principally related to construction-in-progress and purchase of other plant and equipment in respect of buildings and production facilities which were not provided for in the accounts:

	(unaudited) At 30th June 2005 RMB'000	(audited) At 31st December 2004 RMB'000
Contracted but not provided for	25,552	30,345
Authorized by the directors but not contracted	28,050	101,500
	<u>53,602</u>	<u>131,845</u>

14 Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	(unaudited) Six months ended 30th June 2005 RMB'000	(unaudited) Six months ended 30th June 2004 RMB'000
SXPGC, holding company, and its subsidiaries		
– Sale of finished goods and raw materials	11,398	15,050
– Purchase of raw materials	26,578	34,870
– Rental income	800	750
– Purchase of land and buildings	<u>—</u>	<u>6,212</u>

The Directors are of the opinion that the above transactions were conducted in the ordinary and usual course of business of the Group at price and terms determined according to relevant industry practice and in accordance with the terms of the agreements governing such transactions.

During the six months ended 30th June 2005, the Company had paid certain expenses amounting RMB11,666,000 on behalf of its immediate holding company (2004: Nil), which were charged back to the immediate holding company on cost reimbursement basis. As at 30th June 2005, the amount due from the immediate holding company in connection with such transactions amounted to RMB 25,619,000 (2004: RMB3,340,000), which is unsecured interest free and has no fixed terms of repayment.

15 Contingent liabilities

The Group has no significant contingent liabilities as at 30th June 2005.

16 Events after balance sheet date

Up to the date of this report, the Group has no significant events after balance sheet date.