



上海復旦張江生物醫藥股份有限公司
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. *
(a joint stock limited company incorporated in the People's Republic of China)
(STOCK CODE: 8231)

INTERIM REPORT

For the six months ended 30 June 2009

* *For identification purpose only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Board hereto presents the unaudited consolidated interim results of the Company together with its subsidiaries (collectively the “Group”) for the six months ended 30 June 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the six months ended 30 June 2009

For the six months ended 30 June 2009, the Group recorded a turnover of approximately RMB20,904,000, comparing to a turnover of approximately RMB14,680,000 for the same period in 2008. This represents an increase of 42%.

Of the total turnover of the Group for the first half of 2009, RMB2,000,000 (10% of the total turnover) came from the income of technology transfer, and the rest approximately RMB18,904,000 (90% of the total turnover) was derived from the sale of medical products and the provision of related ancillary services. In comparison, the total turnover of the same period in 2008 came from the sale of medical products and the provision of related ancillary services. The new product, Aminolevulinic Acid Hydrochloride (ALA) (鹽酸氨酮戊酸), which the Group launched during the second half of 2007, has now entered into a rapidly developed selling cycle, after over one year’s market exploration and expansion of distribution channel. This is an important factor that leads to the continuous increase of turnover of the Group.

For the six months ended 30 June 2009, cost of sales of the Group was approximately RMB6,535,000, comparing to RMB5,531,000 for the same period in 2008. Gross profit margin has grown to 69% from 62% for that of the same period in 2008.

Within the period under review, operating loss of the Group was approximately RMB8,473,000, compared to RMB12,784,000 for that of last year, which represents a decrease of 34%. Of the various expenses presented before operating loss, research and development (R&D) costs, distribution and marketing costs, administrative expenses and other operating expenses have increased from the same period in 2008, respectively, whereas other income has also increased from the same period in 2008.

A loss attributable to shareholders of the Company of approximately RMB9,355,000 was recorded in the unaudited interim consolidated income statements for the six months ended 30 June 2009, whereas the loss attributable to shareholders of the Company for the same period in 2008 was RMB13,178,000, representing a decrease of 29%.

BUSINESS REVIEW

Committed to the principle “The more we explore, the healthier human beings will be”, the Group aims to become a pioneer in the bio-pharmaceutical industry, by focusing on the R&D of genetic engineering, new drug screening, and commercialization of patent drugs and special drugs that suit the PRC market.

During the period under review, the Group has been making progress in the areas of R&D and commercialization pursuing the projected plans.

In the area of R&D, the Group has proceeded with the clinical studies of several projects that have been approved to enter clinical research. Hemoporphin (海姆泊芬), a photodynamic new drug for the treatment of Port Wine Stain is in the process of Phase III clinical study, which is expected to be completed by the end of the year. Duteroporphyrin (多替泊芬), a photodynamic new drug, and Vincristine Liposome Injection (長春新鹼脂質體注射劑), both for the treatment of tumors, were approved to enter into clinical study in February 2009.

With regard to patents, the Group has always been endeavoring in protecting the intellectual property rights of its innovative drugs and R&D achievements. Within the period under review, the Group has applied for 6 invention patents, and has been granted 3 invention patent.

In respect of commercialization, since ALA (鹽酸氨酮戊酸), which is used for the treatment of dermal HPV infectious disease and proliferative disease as represented by Condyloma acuminata, has been launched for sale, it has attracted high level of attention from dermatologists all over the country. Sales revenue of the product has been increasing steadily.

Drug Registration Approval has been issued and GMP Certification has been granted to Doxorubicin Liposome Injection (鹽酸多柔比星脂質體注射劑), for the treatment of tumors, by SFDA. The drug will be launched for sale in the second half of 2009. The Company has signed a distribution agreement with Nanjing Medical Co., Ltd (“Nanjing Medical”) in April 2009, to offer the distribution rights of the product to Nanjing Medical for the coming five years. Nanjin Medical has made a payment of RMB20,000,000 to the Company in July 2009 as the consideration of the distribution rights.

FUTURE PROSPECTS

The Group has accumulated extensive experiences in R&D, and has taken a leading position in the pharmaceutical industry in the PRC. In the future, the Group will continue devoting efforts to R&D on projects with proprietary intellectual property rights. In particular, drugs for the treatment of dermal diseases and tumors will be of the most importance.

In the area of commercialization, the Group has realized production and sales on diagnostic reagents, Down's Syndrome antenatal screening system, and ALA (鹽酸氨酮戊酸). Also considering Doxorubicin Liposome Injection (鹽酸多柔比星脂質體注射劑) to be launched for sale in the second half of 2009, the Group has successfully accomplished the transformation from pure R&D to a combination of R&D and commercialization, which combines the various parts of the Group containing R&D, production, selling and marketing into an integrated system. The Group will be able to progress to a better development stage.

DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

CHARGE ON ASSETS

On 10 March 2006 and 23 June 2006, the Group put its real estate property in pledge to obtain an interest-free loan granted by "Technology and Education Promoting Shanghai" project, and a full-interest-subsidy loan given by Pudong "Wise-eye project" respectively. The mortgaging period depends on the time to redemption of the loans.

BANKING FACILITIES

Aided by the “Technology and Education Promoting Shanghai” project, the Group took a loan of RMB11,000,000 and a loan of RMB10,000,000 on 12 April 2006 and 6 July 2007, respectively. Both of the two loans are due for repayment on 31 December 2011. The loan is interest-free if it is fully repaid before 31 December 2009. Certain interest has to be paid if the loan is repaid between 1 January 2010 to 31 December 2011.

Assisted by the Pudong “Wise-eye project”, the Group took a bank loan of RMB20,000,000 on 12 July 2006 which are due for repayment on 10 July 2009. Full amount of the interest of the loan is subsidized by the Pudong New Area government. As at 10 July 2009, the Group has repaid the total amount of the loan to the bank. Relevant charge on assets has been revoked.

Aided by “Jiangsu Technology Results Transfer Project”, a subsidiary of the Group, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. (“Taizhou Pharmaceutical”), took a loan of RMB10,000,000 from government authorities on 28 February 2008. The loan is unsecured and interest-free.

MATERIAL INVESTMENT

The Company made an announcement on 7 March 2008 that it would cooperate with a wholly owned subsidiary of Zhangjiang Hi-Tech Park Development Co., Ltd. to construct the industrial space next to the Company’s existing site. This is a connected and discloseable transaction, which has been approved on the Extraordinary General Meeting held on 23 May 2008. The transaction is still in progress.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operating and investing activities with internally generated financial resources, proceeds from the listing of the Company's shares on the Hong Kong GEM Board in August 2002 and research grants, interest-free and interest-subsidized commercial loans supported by the government authorities. As at 30 June 2009, the Group had outstanding interest-free loans from government authorities of RMB32,650,000, of which RMB11,650,000 is unsecured, and an outstanding secured bank loan of RMB20,000,000 with interest fully subsidized.

As at 30 June 2009, the Group had a bank deposit, net cash and cash equivalent balance of approximately RMB 44,429,000.

The Group's gearing ratio at 30 June 2009 was 1.47 (31 December 2008: 1.12) which is calculated based on the Group's total liabilities of RMB96,844,000 (31 December 2008: RMB82,569,000) and capital and reserves attributable to shareholders of the Company of RMB65,896,000 (31 December 2008: RMB73,587,000).

The Group adopts a conservative treasury policy in cash and financial management. To achieve better risk control and minimize cost of funds, the Group's treasury activities are centralized. The Group's liquidity and financing arrangements are reviewed regularly.

EMPLOYEES AND SALARIES

As at 30 June 2009, the Group had a total of 213 employees, comparing with 210 employees as at 30 June 2008. Staff costs including directors' remuneration for the six months ended 30 June 2009 and 2008 were RMB11,385,000 and RMB11,039,000 respectively. Salaries and benefits of employees of the Group are kept at a competitive level and employees are rewarded on a performance related basis with general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory social welfare plans, are also provided to employees.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY

As at 30 June 2009, the interests (including interests in shares and / or short positions) of the Directors, the Chief Executive and the Supervisors and their respective associates in the shares or debentures of the Company and its associated corporations, if any, (a) as notified to the Company and the Stock Exchange pursuant to: Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO"); (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Name of Directors	Class of shares	Number of Domestic shares held	Capacity	Type of interest	Percentage holding in Domestic shares	Percentage of holding in total share capital
Wang Hai Bo	Domestic Shares	51,886,430 (L)	Beneficial owner	Personal	10.13%	7.31%
Su Yong	Domestic Shares	18,312,860 (L)	Beneficial owner	Personal	3.58%	2.58%
Zhao Da Jun	Domestic Shares	15,260,710 (L)	Beneficial owner	Personal owner	2.98%	2.15%
Fang Jing	Domestic Shares	5,654,600 (L)	Beneficial owner	Personal	1.10%	0.80%

Note: The letter "L" stands for long position.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2009, the persons other than a director, chief executive or supervisor of the Company who have interests and / or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the SFO are listed as follows (the interests in shares and short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, Chief Executive and Supervisors):

Name of substantial shareholders	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in the respective class of share capital	Percentage in total share capital
Shanghai Industrial Investment (Holdings) Co., Ltd.	Domestic Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	27.26%	29.60%
	H Shares	70,564,000(L)			35.64%	
Shanghai Pharmaceutical Co., Ltd.	Domestic Shares	139,578,560 (L)	Beneficial Owner	Corporate	27.26%	19.66%
S.I. Pharmaceutical Holdings Ltd.	H Shares	65,856,000(L)	Beneficial Owner	Corporate	33.26%	9.28%
SIIC Medical Science and Technology (Group) Limited	H Shares	4,708,000(L)	Beneficial Owner	Corporate	2.38%	0.66%
China General Technology (Group) Holding, Limited	Domestic Shares	130,977,816 (L)	Beneficial Owner	Corporate	25.58%	18.45%
Shanghai Zhangjiang (Group) Co. Ltd.	Domestic Shares	105,915,096 (L)	Interest of controlled corporation	Corporate	20.69%	14.92%
Shanghai Zhangjiang Hi-Tech Park Development Corp.	Domestic Shares	105,915,096 (L)	Beneficial Owner	Corporate	20.69%	14.92%
Fudan University	Domestic Shares	30,636,286(L)	Beneficial Owner	Corporate	5.98%	4.31%

COMPETING INTERESTS

Save as disclosed in the following table, none of the Directors, or the management shareholders of the Company, nor their respective associates had any interest in a business which competes or may compete with the business of the Group.

Shanghai Pharmaceutical Co., Ltd.

Investee company	Nature of business	Shareholding interests
Shanghai Huashi Pharmaceutical Hi-Tech Industrial Development Co., Ltd. (上海華氏醫藥高科技實業發展有限公司)	R&D of drugs	100%

China General Technology (Group) Holding, Ltd.

Investee company	Nature of business	Shareholding interests
Hainan Sanyang Pharmaceutical Co., Ltd. (海南三洋藥業有限公司)	Drug manufacturing	80.55%

Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.

Investee company	Nature of business	Shareholding interests
Meilian Biotechnology Company (美聯生物技術公司)	R&D of genetic pattern	49.47%

SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2009, the Company had adopted a code of conduct for directors' securities transactions on terms no less exacting than the required standard of dealings stipulated in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the Directors of the Company have been complying with the required standard of dealings and the code of conduct for directors' securities transactions during the six months ended 30 June 2009.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2009.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors of the Company, namely Mr. Pan Fei, who is the chairman, Mr. Weng De Zhang, who is the vice chairman, and Mr. Cheng Lin. Mr. Pan Fei holds a recognized professional qualification as prescribed by the GEM Listing Rules.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the management team of the Company. The audit committee reviewed the interim report for the six months ended 30 June 2009 before proposing to the Board for approval.

CORPORATE GOVERNANCE

The Board of Directors has reviewed the documents relating to corporate governance policies adopted by the Company and considered that it had complied with most of the principles and codes set out in the Code on Corporate Governance Practices (the “Code”) under the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited. On some aspects, the Company has adopted a code on corporate governance no less exacting than the provisions set out in the Code. The areas that adopted by the Company being stricter than the Code or deviated from the Code are as follows:

The main provision which is stricter than the Code:

- All members of the Audit Committee are independent non-executive directors.

The areas which are deviated from the Code:

- Though the roles of Chairman and General Manager are separate, the two positions are still taken by one person. Considering that the scope of the Company is relatively small, with its business mainly in the research, production and sales of innovative drugs, and that it has not completely stepped out of the venture period for the time being, also for the sake of management efficiency, the Board holds the point that the Chairman and the General Manager taken by one person is beneficial for the Company’s development at the present stage. Along with the development of the Company, the Board will consider the segregation of Chairman and the General Manager.

CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2009	2008	2009	2008
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	3	11,786	8,138	20,904	14,680
Cost of sales		(3,739)	(3,359)	(6,535)	(5,531)
Gross profit		8,047	4,779	14,369	9,149
Other income		2,878	1,825	3,914	2,663
Research and development costs		(4,583)	(5,477)	(10,443)	(9,451)
Distribution and marketing costs		(5,768)	(5,439)	(10,405)	(9,835)
Administrative expenses		(2,692)	(2,194)	(5,634)	(5,225)
Other operating expenses		(20)	(36)	(274)	(85)
Operating loss	4	(2,138)	(6,542)	(8,473)	(12,784)
Finance costs		(683)	(344)	(1,359)	(685)
Loss before income tax		(2,821)	(6,886)	(9,832)	(13,469)
Income tax expense	5	—	—	—	—
Loss for the period		(2,821)	(6,886)	(9,832)	(13,469)
Attributable to:					
Shareholders of the Company		(2,774)	(6,665)	(9,355)	(13,178)
Minority interests		(47)	(221)	(477)	(291)
		(2,821)	(6,886)	(9,832)	(13,469)
Basic and diluted loss per share for loss attributable to the shareholders of the Company (RMB)	7	(0.0039)	(0.0094)	(0.0132)	(0.0186)

CONSOLIDATED INTERIM BALANCE SHEET

		Unaudited	Audited
		30 June	31 December
		2009	2008
	<i>Note</i>	RMB'000	RMB'000
Non-current assets			
Leasehold land payments	8	10,811	10,932
Property, plant and equipment	8	71,196	60,695
Technical know-how	8	132	246
Deferred development costs	8	5,250	6,262
Available-for-sale investments		2,376	2,442
Deferred income tax assets		4,735	4,735
		94,500	85,312
Current assets			
Inventories		13,205	12,173
Trade receivables	9	11,412	9,880
Other receivables, deposits and prepayments		1,043	1,148
Amount due from a shareholder		124	588
Cash and cash equivalents		44,429	49,351
		70,213	73,140
Total assets		164,713	158,452

		Unaudited	Audited
		30 June	31 December
		2009	2008
	<i>Note</i>	RMB'000	RMB'000
Non-current liabilities			
Loans from government authorities	11	31,000	31,000
		31,000	31,000
Current liabilities			
Trade payables	10	958	1,177
Other payables and accruals		12,381	11,947
Deferred revenue		8,498	7,463
Loans from government authorities	11	1,650	1,650
Amount due to a shareholder		1,500	1,500
Amount due to a related party		20,857	7,832
Borrowings		20,000	20,000
		65,844	51,569
Total liabilities		96,844	82,569
Capital and reserves attributable to shareholders of the Company			
Share capital		71,000	71,000
Reserves		(5,104)	2,587
		65,896	73,587
Minority interests		1,973	2,296
Total equity		67,869	75,883
Total equity and liabilities		164,713	158,452
Net current assets		4,369	21,571
Total assets less current liabilities		98,869	106,883

CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited Six months ended 30 June 2009 RMB'000	Unaudited Six months ended 30 June 2008 RMB'000
Operating activities		
Cash used in operations	(5,939)	(8,381)
Interest paid	(764)	(685)
Interest received	224	54
Net cash used in operating activities	<u>(6,479)</u>	<u>(9,012)</u>
Investing activities		
Purchase of property, plant and equipment	(378)	(2,766)
Purchase of available-for-sales investments	(1,854)	(4,594)
Withdrawal of term deposits with maturities of three to twelve months	—	10,000
Interest received from term deposits with maturities of three to twelve months	—	213
Proceeds from disposal of property, plant and equipment	7	85
Proceeds from disposal of available-for-sale investments	3,766	15
Net cash gain in investing activities	<u>1,541</u>	<u>2,953</u>
Financing activities		
Loans from government authorities	—	10,000
Capital injection from minority equity holder	—	30,000
Net cash generated from financing activities	<u>—</u>	<u>40,000</u>
Net (decrease)/increase in cash and cash equivalents		
	(4,938)	33,941
Cash and cash equivalents at beginning of the period	49,351	26,280
Exchange gain/(loss) on cash and cash equivalents	16	(58)
Cash and Cash equivalents at end of the period	<u>44,429</u>	<u>60,163</u>

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to shareholders of the Company				Minority interests	Total
	Share capital	Capital accumulation reserve	Statutory common reserve fund	Accumulated losses		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008	71,000	115,014	2,829	(118,785)	983	71,041
Capital contribution to a subsidiary by minority interests (a)	—	27,813	—	—	2,187	30,000
Unrealised loss on available-for-sales investments	—	(1,104)	—	—	(70)	(1,174)
Loss for the period	—	—	—	(13,178)	(291)	(13,469)
	<u>71,000</u>	<u>141,723</u>	<u>2,829</u>	<u>(131,963)</u>	<u>2,809</u>	<u>86,398</u>
Balance at 1 January 2009	71,000	141,945	2,829	(142,187)	2,296	75,883
Unrealised profit on available-for-sales investments	—	1,663	—	—	155	1,818
Loss for the period	—	—	—	(9,355)	(477)	(9,832)
	<u>71,000</u>	<u>143,608</u>	<u>2,829</u>	<u>(151,542)</u>	<u>1,974</u>	<u>67,869</u>

- (a) Pursuant to a capital increase agreement, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical"), a 100% subsidiary of the Company as of 31 December 2007, received RMB25,000,000 and RMB5,000,000 in March 2008 from two third party companies, Taizhou Huasheng Investment Development Company Limited and Taizhou Pharmaceutical Science Park Huayuan Investment Development Company Limited respectively as capital injection. Following these capital injections, the registered capital of Taizhou Pharmaceutical was increased from RMB60,000,000 to RMB66,000,000, and the Company's interest in Taizhou Pharmaceutical was reduced from 100% to 90.9%. After the completion of the registered capital increase, the Group recognized RMB 27,813,000 in the capital accumulation reserve.

SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Background

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the "Company") was established in the People's Republic of China ("PRC") on 11 November 1996 as a limited liability company with an initial registered capital of RMB5,295,000.

Pursuant to a series of capital injections on 10 November 1997, 11 May 2000, and 12 September 2000 from the existing or the then existing shareholders of the Company and the capitalisation of reserves of the Company on 11 December 1997 and 20 October 2000, the registered capital of the Company was increased from RMB5,295,000 to RMB53,000,000.

On 8 November 2000, the Company was transformed into a joint stock company with limited liability.

On 20 January 2002, all of the shares of the Company, being 53,000,000 ordinary shares with a par value of RMB1.00 each, were subdivided into 530,000,000 ordinary shares with a par value of RMB0.10 each.

On 13 August 2002, the Company commenced the trading of the newly issued 198,000,000 ordinary shares ("H shares") of RMB0.10 each on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including 18,000,000 H Shares converted from Domestic Shares. Therefore, the registered capital of the Company was increased to RMB71,000,000.

As of the date of this report, the Company has direct interests of 68.75%, 65% and 90.91% in its subsidiaries Shanghai Morgan-Tan International Center for Life Sciences, Co., Ltd. ("Morgan-Tan"), Shanghai Ba Dian Medicine Co., Ltd. ("Ba Dian") and Taizhou pharmaceutical, respectively.

The Group is principally engaged in research, development and selling of self-developed bio-pharmaceutical know-how, carrying out contracted research for customers, manufacturing and selling of medical products and the provision of related ancillary services in the PRC.

2. Accounting policies and basis of preparation

The unaudited interim financial statements of the Group has been prepared in accordance with ISA 34. The accounting policies adopted in preparing the unaudited consolidated financial statements for the six months ended 30 June 2009 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, unless otherwise stated.

The following new standards, amendments to standards and interpretations are mandatory for accounting periods on or after 1 January 2008.

IAS 1 (Revised)	Presentation of Financial Statements
IFRS 8	Operating Segments
IFRS 7 Amendments	Financial Instruments: Disclosures: Improving disclosures about financial instruments

The adoption of the above new standards, amendments to standards and interpretations did not have any significant impacts to the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective and have not been early adopted. The directors anticipate that adoption of these standards, amendments to standards and interpretations will not result in substantial changes to the Group's accounting policies.

IFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations
IFRS 3 (Revised)	Business Combination
IAS 23 (Revised)	Borrowing Costs
IAS 32 (amendment)	Financial instruments: presentation
IAS 39 (amendment)	Financial Instruments: Recognition and Measurement
IFRIC-Int 9 (amendment)	Reassessment of embedded derivatives
IFRIC-Int 13	Customer Loyalty Programmes
IFRIC-Int 15	Agreements for the Construction of Real Estate
IFRIC-Int 16	Hedges of a Net Investment in a Foreign Operation
IFRIC-Int 17	Distributions of Non-cash Assets to Owners
IFRIC Int 18	Transfers of assets from customers

The unaudited consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated but considered an impairment indicator of the asset transferred.

Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

3. Turnover and segmental information

An analysis of the Group's turnover and contribution to operating loss by principal activities is as follows:

	Unaudited three months ended 30 June 2009			Unaudited three months ended 30 June 2008		
	Research and development activities RMB'000	Sales of medical products and the provision of related ancillary services RMB'000	Total RMB'000	Research and development activities RMB'000	Sales of medical products and the provision of related ancillary services RMB'000	Total RMB'000
Turnover	—	11,786	11,786	—	8,138	8,138
Segment loss	(3,163)	2,279	(884)	(4,335)	(660)	(4,995)
Unallocated income			182			338
Unallocated loss			(2,119)			(2,229)
Loss before income tax			(2,821)			(6,886)
Income tax expense			—			—
Loss for the period			(2,821)			(6,886)
	Unaudited six months ended 30 June 2009			Unaudited six months ended 30 June 2008		
	Research and development activities RMB'000	Sales of medical products and the provision of related ancillary services RMB'000	Total RMB'000	Research and development activities RMB'000	Sales of medical products and the provision of related ancillary services RMB'000	Total RMB'000
Turnover	2,000	18,904	20,904	—	14,680	14,680
Segment loss	(6,533)	1,964	(4,569)	(7,932)	(686)	(8,618)
Unallocated income			389			457
Unallocated loss			(5,652)			(5,308)
Loss before income tax			(9,832)			(13,469)
Income tax expense			—			—
Loss for the period			(9,832)			(13,469)

Note: There are no sales or other transactions between the business segments. Unallocated income and unallocated costs mainly represent other income received and general and administrative expenses incurred by the Group during the period that are not directly attributable to the principal activities.

The Group derives all of its revenue and profit from customers who are located in the PRC. Hence, no separate geographical analysis of the segment information is presented.

4. Operating loss

Operating loss is arrived at after (crediting) / charging the following items:

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Amortisation of government grants	(2,103)	(1,562)	(3,269)	(2,205)
Amortisation of leasehold land payments	61	61	121	121
Amortisation of deferred development costs	435	579	1,012	1,158
Amortisation of technical know-how	57	317	114	633
Depreciation of fixed assets	1,293	1,430	2,581	2,463
Research and development expenditure (note)	4,583	6,018	10,443	9,451
Staff costs (note)				
Housing subsidy	582	655	1,360	1,359
Retirement benefit costs	697	626	1,337	1,211
Social security costs	403	347	767	683
Wages and salaries	4,088	3,715	7,921	7,786
	5,770	5,343	11,385	11,039
Gain on disposal of available-for-sale investments	(940)	—	(24)	(15)

Note: Research and development costs mainly represents the employee benefit expenses of technical staff involved and the consumables used in the research and development activities which do not satisfy the criteria for capitalisation as an asset. The employee benefit expenses of technical staff are also included in the employee benefit expenses.

5. Income tax

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2009	2008	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Income tax	—	—	—	—

Under the Corporate Income Tax Law of the People's Republic of China, as the Company was certified as a New and High Technology Enterprise, it is entitled to a reduced income tax rate of 15%. The corporate income tax rate applicable to the subsidiaries is 25%.

6. Dividends

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

7. Loss per share

The calculation of the basic loss per share for the three months ended 30 June 2009 and 30 June 2008 were based on the unaudited loss attributable to shareholders of the Company of approximately RMB2,774,000 (three months ended 30 June 2008: loss attributable to shareholders of the Company of approximately RMB6,665,000) and total shares in issue of 710,000,000 shares (three months ended 30 June 2008: 710,000,000 shares) during the three months ended 30 June 2009.

The calculation of the basic loss per share for the six months ended 30 June 2009 and 30 June 2008 were based on the unaudited loss attributable to shareholders of the Company of approximately RMB9,355,000 (six months ended 30 June 2008: loss attributable to shareholders of the Company of approximately RMB13,178,000) and total shares in issue of 710,000,000 shares (six months ended 30 June 2008: 710,000,000 shares) during the six months ended 30 June 2009.

Diluted loss per share have not been calculated for the three months or six months ended 30 June 2009 and 2008 respectively as there were no dilutive potential ordinary shares during those periods.

8. Capital expenditure

	Unaudited			
	Leasehold land payments <i>RMB'000</i>	Property, plant and equipment <i>RMB'000</i>	Technical Know-how <i>RMB'000</i>	Deferred development costs <i>RMB'000</i>
Cost				
At 1 January 2009	11,988	89,503	9,047	18,159
Additions	—	13,318	—	—
Disposals	—	(328)	—	—
	<u>11,988</u>	<u>102,493</u>	<u>9,047</u>	<u>18,159</u>
At 30 June 2009	<u>11,988</u>	<u>102,493</u>	<u>9,047</u>	<u>18,159</u>
Accumulated amortisation / depreciation				
At 1 January 2009	1,056	28,808	8,801	11,897
Charge for the period	121	2,581	114	1,012
Disposals	—	(91)	—	—
	<u>1,177</u>	<u>31,298</u>	<u>8,915</u>	<u>12,909</u>
At 30 June 2009	<u>1,177</u>	<u>31,298</u>	<u>8,915</u>	<u>12,909</u>
Net book value				
At 30 June 2009	<u>10,811</u>	<u>71,195</u>	<u>132</u>	<u>5,250</u>
Cost				
At 1 January 2008	11,988	79,773	9,047	14,365
Additions	—	1,270	—	—
Disposals	—	(267)	—	—
	<u>11,988</u>	<u>80,776</u>	<u>9,047</u>	<u>14,365</u>
At 30 June 2008	<u>11,988</u>	<u>80,776</u>	<u>9,047</u>	<u>14,365</u>
Accumulated amortisation / depreciation				
At 1 January 2008	814	23,894	8,036	9,581
Charge for the period	121	2,463	633	1,158
Disposals	—	(249)	—	—
	<u>935</u>	<u>26,108</u>	<u>8,669</u>	<u>10,739</u>
At 30 June 2008	<u>935</u>	<u>26,108</u>	<u>8,669</u>	<u>10,739</u>
Net book value				
At 30 June 2008	<u>11,053</u>	<u>54,668</u>	<u>378</u>	<u>3,626</u>

9. Trade receivables

	Unaudited	Audited
	30 June	31 December
	2009	2008
	RMB'000	RMB'000
Accounts receivables (<i>Note (a)</i>)	11,412	9,104
Notes receivable (<i>Note (b)</i>)	235	776
	<u>11,647</u>	<u>9,880</u>

(a) Details of the aging analysis are as follows:

	Unaudited	Audited
	30 June	31 December
	2009	2008
	RMB'000	RMB'000
Current to 30 days	4,374	4,073
31 days to 60 days	789	1,372
61 days to 90 days	4,672	1,204
Over 90 days but less than one year	1,951	2,552
Over one year	935	2,095
	<u>12,721</u>	<u>11,296</u>
Provision	<u>(1,309)</u>	<u>(2,192)</u>
	<u>11,412</u>	<u>9,104</u>

Customers are generally granted credit terms of 90 days.

(b) Notes receivable are all bank acceptance notes with maturities less than six months.

10. Trade payables

Details of the aging analysis are as follows:

	Unaudited	Audited
	30 June	31 December
	2009	2008
	RMB'000	RMB'000
Current to 30 days	374	437
31 days to 60 days	—	112
61 days to 90 days	—	55
Over 90 days but less than one year	35	25
Over one year	549	548
	<hr/> 958 <hr/>	<hr/> 1,177 <hr/>

11. Loans from government authorities

The loans from government authorities are repayable as follows:

	Unaudited	Audited
	30 June	31 December
	2009	2008
	RMB'000	RMB'000
Within one year	1,650	1,650
Over one year	31,000	31,000
	<hr/> 32,650 <hr/>	<hr/> 32,650 <hr/>

12. Related party transactions

The Group made sales of medical products of RMB386,000 to Shanghai Pharmaceutical Co., Ltd., a shareholder of the Company during the six months ended 30 June 2009 (2008: RMB947,000).

On 26 February 2008, the Company and Shanghai Qi Du Sci & Tech Development Co., Ltd. ("Qi Du") entered into an agreement to jointly develop a construction project. For the six months ended 30 June 2009, Qi Du has paid RMB13,025,000 on behalf of the Company for the initial project development (2008: Nil).

By Order of the Board
Wang Hai Bo
Chairman

As at the date thereof, the Board comprises:

Mr. Wang Hai Bo (*Executive Director*)

Mr. Su Yong (*Executive Director*)

Mr. Zhao Da Jun (*Executive Director*)

Ms. Fang Jing (*Non-executive Director*)

Mr. Zhou Jie (*Non-executive Director*)

Mr. Guo Jun Yu (*Non-executive Director*)

Mr. Hao Hong Quan (*Non-executive Director*)

Mr. Zhu Ke Qin (*Non-executive Director*)

Mr. Pan Fei (*Independent non-executive Director*)

Mr. Cheng Lin (*Independent non-executive Director*)

Mr. Weng De Zhang (*Independent non-executive Director*)

Shanghai, the PRC

11 August 2009