



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 company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1349)

INTERIM REPORT

For the six months ended 30 June 2014

* *For identification purpose only*

FIVE YEARS FINANCIAL DATA HIGHLIGHTS

Results

	Unaudited				
	Six months ended 30 June				
	2014	2013	2012	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	153,370	156,933	82,684	39,044	35,898
Operating profit/(loss)	41,371	34,050	18,462	641	(2,506)
Finance costs	(1,057)	(3,515)	(1,586)	(1,760)	(1,356)
Profit/(loss) before income tax	40,314	30,535	16,876	(1,119)	(3,862)
Income tax expense	(5,034)	(6,315)	(2,686)	2,440	-
Profit/(loss) for the period	35,280	24,220	14,190	1,321	(3,862)
Profit/(loss) attributable to:					
Shareholders of the Company	36,296	27,904	16,205	3,353	(2,301)
Non-controlling interests	(1,016)	(3,684)	(2,015)	(2,032)	(1,561)
Total comprehensive income/(loss) for the period	35,280	24,220	14,201	1,316	(3,862)
Total comprehensive income/(loss) attributable to:					
Shareholders of the Company	36,296	27,904	16,212	3,348	(2,301)
Non-controlling interests	(1,016)	(3,684)	(2,011)	(2,032)	(1,561)
EBITDA	53,356	41,042	21,916	3,980	887
Basic and diluted earnings/(loss) per share for profit/(loss) attributable to the shareholders of the Company (RMB)	<u>0.0393</u>	<u>0.0337</u>	<u>0.0228</u>	<u>0.0047</u>	<u>(0.0032)</u>

Assets and Liabilities

	Unaudited		Audited		
	30 June		31 December		
	2014	2013	2012	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	748,575	749,216	537,296	358,881	304,154
Total liabilities	(147,370)	(183,291)	(277,183)	(157,814)	(135,449)
	<u>601,205</u>	<u>565,925</u>	<u>260,113</u>	<u>201,067</u>	<u>168,705</u>
Capital and reserves attributable to the shareholders of the Company	569,013	532,717	223,228	170,062	139,243
Non-controlling interests	32,192	33,208	36,885	31,005	29,462
	<u>601,205</u>	<u>565,925</u>	<u>260,113</u>	<u>201,067</u>	<u>168,705</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2014

REVENUE

The Group's consolidated revenue for the six months ended 30 June 2014 amounted to approximately RMB153,370,000, comparing to RMB156,933,000 for the same period in 2013, representing a decrease of 2%. The Group's consolidated revenue for the first quarter of 2014 decreased by about 25%, and those for the second quarter of 2014 increased by about 8%, comparing for the same period in 2013 individually. The revenue has not met the expectation, which was mainly due to the effect of the changes in the pharmaceutical industry environment. In response to the changes in the industry environment, the Company is trying to adjust marketing strategy in order to maintain the growth of revenue.

The total revenue for the six months ended 30 June 2014 came from the sales of medical products and the revenue recognised from exclusive distribution rights. The total revenue for the six months ended 30 June 2013 came from the sale of medical products, the revenue recognised from exclusive distribution rights and the revenue from technology transfer.

Revenue from the sales of medical products

Revenue of the Group from the sales of medical products for the six months ended 30 June 2014 was RMB150,870,000 (or 98% of the total revenue), decreased by 2% from the same period of last year which was RMB154,355,000. The major products of the Company, ALA® (鹽酸氨酮戊酸, ALA) and Libod® (鹽酸多柔比星脂質體, Doxorubicin liposome), have contributed 49% and 46% of the total revenue of the Group, respectively.

Revenue from exclusive distribution rights

The Company signed the sole agency agreement (the "Sole Agency Agreement") with NT Pharma (Jiangsu) Co., Ltd. in February 2011 and granted it the exclusive distribution rights of Libod®. The total consideration was RMB20,000,000, of which, an amount of RMB2,500,000 (or 1.6% of the total revenue) was recognised as revenue in the six months ended 30 June 2014 and in the same period in 2013, respectively.

Revenue from technology transfer

For the six months ended 30 June 2014, the Group had no revenue from technology transfer. Revenue from technology transfer for the same period in 2013 was approximately RMB78,000. It was a royalty payment received at a certain percentage of revenue that came from a technology which was transferred to a pharmaceutical company in Shandong Province in 2002 pursuant to the relevant technology transfer contract. Such contract was expired in 2013.

COST OF SALES

For the six months ended 30 June 2014, cost of sales of the Group was RMB12,190,000, while the corresponding figure for the same period in 2013 was RMB12,273,000. Gross profit margin was 92%, which was equal to that of the same period in 2013. The relatively stable margin mainly resulted from the strict cost control that the Group has implemented.

OPERATING PROFIT

For the six months ended 30 June 2014, operating profit of the Group was RMB41,371,000, comparing to the operating profit of RMB34,050,000 for the same period in 2013, representing an increase of 22%.

Expenditure and other income presented before operating profit are as follows:

- Other income for the six months ended 30 June 2014 was RMB25,668,000, comparing with RMB16,333,000 for the same period in 2013, representing an increase of 57%. Other income mainly represented the income from Shanghai Pharmaceuticals Holding Co., Ltd. ("Shanghai Pharmaceuticals"), a shareholder of the Company, for the cooperation on innovative pharmaceutical research and development amounted to RMB12,069,000. Besides, due to an increase in government grants, the Group has recognised related income amounting to RMB9,554,000 for the six months ended 30 June 2014, comparing with RMB 5,223,000 for the same period in 2013. For more details, please refer to Note 7 to the Condensed Consolidated Interim Financial Information in this report.
- R&D costs for the six months ended 30 June 2014 was RMB28,852,000, comparing with RMB17,524,000 for the same period in 2013, representing an increase of 65%. It was mainly because that the Group had added several new research projects and some projects have entered into clinical trial.

- Distribution and marketing costs for the six months ended 30 June 2014 was RMB82,757,000, comparing with RMB93,179,000 for the same period in 2013, representing a decrease of 11%. The distribution and marketing costs decreased in line with the decrease in revenue from the sales of medical products. The ratio of distribution and marketing costs to revenue from the sales of medical products decreased to 54.9% from 60.4% for the same period in 2013. The decrease in distribution and marketing costs was mainly due to the appropriate adjustments to the marketing and promotion model.
- Administrative expenses for the six months ended 30 June 2014 was RMB13,818,000, comparing with RMB12,927,000 for the same period in 2013, representing an increase of 7%. It was mainly due to the increase in provision for impairment of receivables.
- Other operating expenses for the six months ended 30 June 2014 was RMB50,000, comparing with RMB3,313,000 for the same period in 2013, representing a decrease of 98%. The other operating expenses for the six months ended 30 June 2013 were mainly the exchange losses of the cash proceeds from the new H-share placing.

FINANCE COSTS

For the six months ended 30 June 2014, finance costs of the Group was RMB1,057,000, comparing with RMB3,515,000 for the same period in 2013, representing a decrease of 70%. It was mainly due to the decrease in borrowings.

PROFIT FOR THE PERIOD

For the six months ended 30 June 2014, the profit of the Group was RMB35,280,000, comparing with that of RMB24,220,000 for the same period in 2013, representing an increase of 46%.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to the shareholders of the Company of RMB36,296,000 was recorded in the unaudited consolidated statement of comprehensive income for the six months ended 30 June 2014, comparing with that of RMB27,904,000 for the same period in 2013, representing an increase of 30%.

BUSINESS REVIEW

Aiming to become an innovator in the bio-pharmaceutical industry, the Group commits itself to the mission “the more we explore, the healthier human beings will be”, and targets to provide completely new and more effective treatment and drugs for filling the blank and meeting the enhanced requirements of clinical treatment.

During the period under review, the Group has been making progress in the areas of R&D and commercialization pursuing the projected plans. The Group will focus on the following four technical platforms: Genetic Engineering platform, Photodynamic technique platform, Nano technique platform and Diagnosis technique platform.

In the area of R&D, the Company obtained clinical trial approval for high bio-activity recombinant human TNF receptor (重組高親和力TNF受體) for the treatment of Arthritis in May 2014, and has entered into clinical trial phase I. The drug is mainly used to treat self-immunological diseases, such as arthritis. The size of potential market is enormous. The Group holds independent intellectual property right (“IPR”) of the drug and has applied for PCT patent. It will be one of the key R&D projects of the Group.

During the period under review, the Group restarted the phase I clinical trial of PTH (重組人甲狀旁腺激素) for the treatment of osteoporosis. At the same time, indication of osteoarthritis was also in the research.

ALA (鹽酸氨酮戊酸) which is indicated for the treatment of cervical diseases infected by HPV has entered into the clinical trial phase I.

ALA (鹽酸氨酮戊酸) which is indicated for the treatment of acne, had been substantially completed the pre-clinical study and the clinical trial application will be submitted this year.

Duteroporphyrin (多替泊芬) for the treatment of tumors has entered into the clinical trial phase II.

Libod® (里葆多®) for the treatment of tumors, was launched to market in August 2009. The drug is used for the treatment of AIDS-relating Kaposi's sarcoma, breast cancer and ovarian cancer. The Group has registered such drug in the United States (“U.S.”) taking into account the tremendous market capacity of breast cancer and has obtained the approval from the U.S. Food and Drug Administration (“FDA”), which will enter into clinical comparative study soon. After the clinical trial, the Company will be required to further obtain the verification of good quality management system of our production plant by FDA before the drug can be launched to the market.

Vincristine Liposome (硫酸長春新碱脂質體), a nano drug for the treatment of malignant tumors has completed the clinical trial phase I.

Moreover, the Group increased spending on diagnosis technique and reagent research, the new fluorescence immunity analyzer and the matching prenatal screening reagent obtained the approval for launching to the market in December 2013. The new time-resolved immunoassay system improved the fluorescence excitation efficiency with its lower cost, smaller volume, higher testing efficiency, etc. compared with traditional time-resolved immunoassay system. In addition, it resolved the problem that traditional time-resolved immunoassay system can only be used in big hospitals. The Group hopes these products can be widely used in numerous junior township hospitals to provide better birth defect intervention services for rural pregnant women.

In respect of commercialization, ALA (艾拉®) which is indicated for the treatment of dermal HPV infectious disease and proliferative disease as represented by condyloma acuminata, and Libod® (里葆多®) for the treatment of tumors, have had a steady increase of sales volume since the launch for sale. Both of them have become the most important drugs of the Group. ALA (艾拉®) and Libod® (里葆多®) contributed 95% to the Group's revenue.

During the period under review, revenue from the sales of medical products has not met the expectation, which was mainly due to the effect of the changes in the pharmaceutical industry environment. In response to the changes in the industry environment, the Company adopted a new marketing and promotion model from the beginning of this year, which resulted in a decrease in the distribution and marketing costs and a substantial decrease in the ratio of distribution and marketing costs to revenue from the sales of medical products. On the other hand, it has the impact on the increase in revenue. The Company is now assessing the gain and loss and judging the advantages and disadvantages with an aim to find out an appropriate marketing model for the balanced development of the Company as soon as practicable.

FuMeiDa (the proposed brand name of Hemoporphin), which is for the treatment of Port Wine Stain, is the first photodynamic drug for the treatment of port wine stain in the world. It is a new drug with new drug target, new compound and new indication. Now the Group has obtained the New Drug Certificates issued by China State Food and Drug Administration and completed the trial production. It is required to further obtain the drug approval number and pharmaceutical GMP certificate ("GMP Certificate"), etc., before FuMeiDa can be launched to the market. It plans to launch for sale in the first half of 2015.

FUTURE PROSPECTS

The Group has accumulated extensive experiences in R&D, and has taken a leading position in the pharmaceutical industry in the PRC. “Commercialization advanced scientific exploration” which is spearheaded by the Group and together with drug developers, top international scientists and specialists to explore gene variation and molecular mechanism of the disease in certain areas will improve the ability of drugs development of the Group and optimize drugs development model more efficiently and effectively. 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, tumors and osteoarticular diseases will be of the most importance.

In the area of commercialization, the Group has realized production and sales on diagnostic reagents, ALA[®], and Libod[®]. As more products are launched to the market, it is expected that the future sales revenue will be increasing extensively.

All the product lines of the Group passed GMP Certification of China Food and Drug Administration. Our objective is to set up the product lines which can meet international standards so that our products could be sold worldwide. According to the progress of product registration, two product lines launched in Shanghai and Taizhou will start to apply for the certification of U.S. Food and Drug Administration.

Moreover, considering that more drugs are going to be registered, a subsidiary of the Company, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. has constructed two production lines for the material and injection of Hemoporfin. To make the two production lines at full capacity, the Group has chosen to register several generic drugs which can be produced with Hemoporfin on the same production line. More investment in production lines will be made in the next few years so as to make it become the centralized production base of the Group.

The Group has successfully accomplished the transformation from purely R&D to equal emphasis on both R&D and commercialization with a complete system featuring organic combination of R&D, product manufacturing and marketing. The Group is moving toward a virtuous stage of development.

DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2014 (Six months ended 30 June 2013: Nil).

CHARGE ON ASSETS

As at 30 June 2014, the Group did not have any charge on assets.

BANKING FACILITIES

On 21 March 2011, the bank borrowing of RMB25,000,000 was taken by Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd., a subsidiary of the Group, and bore an interest rate of 6.40%. The borrowing is guaranteed by the Company, and is due for repayment on 20 March 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2014, the basic construction of the manufacturing plant in Taizhou was completed and the Group had no material capital expenditure plan for the moment.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations and investing activities with internally generated financial resources, proceeds from the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange, proceeds from the share placement, grants from the municipal government authorities and commercial loans. As at 30 June 2014, the Group had a loan of RMB25,000,000 outstanding. Such loan is a guaranteed bank loan.

As at 30 June 2014, the Group had cash and cash equivalents of approximately RMB284,202,000.

The Group's gearing ratio as at 30 June 2014 was negative 0.76 (31 December 2013: negative 1.01) which was calculated based on the Group's net debt of negative RMB259,202,000 (31 December 2013: net debt of negative RMB284,927,000) and total capital of RMB342,003,000 (31 December 2013: RMB280,998,000).

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

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in the domestic market. Except for the HKD proceeds from the placement of shares, the operating results and the financial position of the Group will not be substantially affected by the movement in exchange rates.

EMPLOYEES AND SALARIES

As at 30 June 2014, the Group had a total of 470 employees, as compared to 426 employees as at 30 June 2013. Staff costs including Directors' remuneration for the six months ended 30 June 2014 were RMB28,907,000, comparing with RMB23,770,000 for the same period in 2013. The salaries and benefits of employees of the Group are kept at a competitive level and employees are rewarded on a performance related basis with the 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.

USE OF PROCEEDS

On 4 February 2013, the Company completed a placing of 142,000,000 H shares with a par value of RMB0.10 each at a price of HKD1.70. The amount of net proceeds from the placing was approximately HKD233,909,000 (equivalent to approximately RMB185,575,000) (after deducting all applicable costs and expenses, including commissions, legal fees and levies). The net proceeds were applied in the planned projects described in the circular of the Company dated 14 May 2012 and the announcement of the Company dated 16 January 2013.

Particulars of the proceeds from the placing were used as follows:

	Budget	Unaudited
	RMB'000	By the end of
		30 June 2014
		Total amount
		that has been
	Budget	utilised
	RMB'000	RMB'000
R&D projects		
– the clinical study project regarding using ALA for the treatment of cervical intraepithelial neoplasia	20,000	3,619
– the pre-clinical study and clinical study project regarding using ALA for the treatment of brain glioma	10,000	511
– the pre-clinical and clinical study project of paclitaxel albumin nanoparticles	20,000	4,247
– the pre-clinical and clinical study project of CD30-MMAE	30,000	4,851
To repay the debts of the Company	20,000	20,000
For the working capital of the Company	85,575	85,575
Total	<u>185,575</u>	<u>118,803</u>

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

As at 30 June 2014, the interests (if any) of the directors of the Company (the "Directors"), chief executive and the supervisors of the Company (the "Supervisors") and their respective associates in the shares or debentures (including interests in shares and/or short positions) of the Company and its associated corporations, (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"); or (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of Directors	Class of shares	Number of Shares held	Capacity	Type of interest	Percentage in	Percentage in
					Domestic Shares	total share capital
Wang Hai Bo	Domestic Shares	57,886,430 (L)	Beneficial owner	Personal	9.93%	6.27%
Su Yong	Domestic Shares	22,312,860 (L)	Beneficial owner	Personal	3.83%	2.42%
Zhao Da Jun	Domestic Shares	19,260,710 (L)	Beneficial owner	Personal	3.30%	2.09%

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

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2014, 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, or as recorded in the register maintained under Section 336 of the SFO, or as notified to the Company and the Stock Exchange were as follows (the interests in shares and/or 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	23.94%	22.77%
	H Shares	70,564,000 (L)			20.75%	
Shanghai Pharmaceuticals	Domestic Shares	139,578,560 (L)	Beneficial Owner	Corporate	23.94%	22.77%
	H Shares	70,564,000 (L)			20.75%	
China New Enterprise Investment Fund II	Domestic Shares	156,892,912 (L)	Beneficial Owner	Corporate	26.91%	17.00%
Yang Zong Meng	Domestic Shares	80,000,000 (L)	Beneficial owner	Personal	13.72%	8.67%
Fudan University	Domestic Shares	30,636,286 (L)	Interest of controlled corporation	Corporate	5.25%	3.32%
Shanghai Fudan Asset Operating Limited (上海復旦資產經營有限公司)	Domestic Shares	30,636,286 (L)	Beneficial Owner	Corporate	5.25%	3.32%
Boxin China Growth Fund I LP	H Shares	27,000,000 (L)	Investment manager	Corporate	7.94%	2.93%
Shum Ning	H Shares	23,639,000 (L)	Beneficial Owner	Personal	6.95%	2.56%

Note: The letter “L” stands for long position.

SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2014, the Company had adopted a code of conduct for directors' securities transactions on terms no less strict than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules. Having made specific enquiry with all Directors, the Directors 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 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

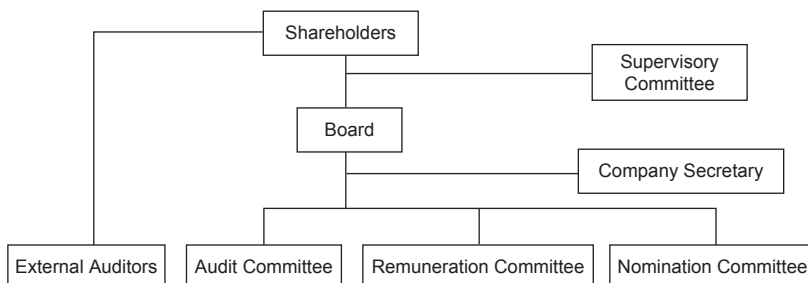
AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") is responsible for reviewing the financial reporting, internal controls and corporate governance issues and making relevant recommendations to the Board. The Audit Committee comprises two Independent Non-executive Directors and one Non-executive Director who are Mr. Lam Yiu Kin, Mr. Chen Kai Xian and Mr. Shen Bo. Mr. Lam Yiu Kin, who is an Independent Non-executive Director, was appointed as the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group, and has reviewed issues regarding auditing, internal controls, risk management and financial reporting. The Audit Committee has reviewed with management the Group's unaudited interim results for the six months ended 30 June 2014.

CORPORATE GOVERNANCE PRACTICE

The Company's corporate governance structure is as follows:



The Company's Code of Corporate Governance Practice includes but not limited to the following documents:

- a) Articles of Association;
- b) Principles of the Audit Committee;
- c) Principles of the Remuneration Committee;
- d) Principles of the Nomination Committee;
- e) Principles regarding transactions in the Company's securities;
- f) Daily management documents of the Company.

The Board 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 Appendix 14 (Corporate Governance Code and Corporate Governance Report) (the "Code") of the Listing Rules. In some aspects, the codes of corporate governance adopted by the Company are even stricter than the provisions as set out in the Code. Hereunder are the points which are stricter than or deviate from the provisions in the Code.

Major aspects which are stricter than the provisions as set out in the Code:

- Two-thirds of the members of the Audit Committee are Independent Non-executive Directors.

Major aspects which deviate from the provisions as set out in the Code:

- The positions of the Chairman and the general manager rest on the same person. Although the Articles of Association contains specific requirements on the responsibilities of the chairman and the general manager (chief executive), such being the responsibilities of managing the operation of the Board and managing the daily operation of the Company, respectively, the two positions are still taken by one person. Considering that the scale of the Company is relatively small with its businesses mainly focused on the areas of 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 takes the view that the positions of the Chairman and the general manager being 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 to segregate duties of the Chairman and the general manager as and when appropriate.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Wang Hai Bo, aged 54, was appointed as an Executive Director in November 1996. He is also the chairman of the Board and general manager of the Company. He founded the Company in November 1996. He was an associate professor at Fudan University from May 1995 to June 1996. He has published numerous articles, earning him awards such as the State Star Fire Grade III Award (國家星火三等獎), Education Committee Grade II Award (教委二等獎) and Technology Advancement Award of Shanghai Municipality (上海市科技進步獎). He graduated from Fudan University with a bachelor's degree in Biology in July 1983 and master's degree in Biology in July 1986. He was the former chief technology officer of Zhejiang Shenghua Biok Biology Co. Ltd., a company listed on the Shanghai Stock Exchange (Shanghai Stock Code: 600226).

Mr. Wang has entered into a service contract with the Company for a period of three years commencing from 30 May 2014, subject to retirement by rotation and re-election in accordance with the Articles of Association.

As at the date of this report, Mr. Wang beneficially owned 57,886,430 domestic shares of the Company ("Domestic Shares"), representing approximately 6.27% of the issued share capital of the Company.

Su Yong, aged 50, was appointed as an Executive Director in January 2002. He is also the deputy general manager of the Company. He joined the Company in April 1997. He has been working in the field of genetic engineering for over nine years. He was the chief engineer of Hangzhou Jiuyuan Gene Engineering Co., Ltd. from January 1994 to April 1997, during which he was responsible for managing the genetic engineering department. He graduated from Northwest Normal University with a bachelor's degree in Biology Science in July 1985, from Fudan University with a master's degree in Biochemistry in July 1993, and from Zhejiang University with a Ph.D. in Oncology in June 2000.

Mr. Su has entered into a service contract with the Company for a period of three years commencing from 30 May 2014, subject to retirement by rotation and re-election in accordance with the Articles of Association.

As at the date of this report, Mr. Su beneficially owned 22,312,860 Domestic Shares of the Company, representing approximately 2.42% of the issued share capital of the Company.

Zhao Da Jun, aged 44, was appointed as an Executive Director in January 2002. He is also the deputy general manager, compliance officer and an authorized representative of the Company. He is a cofounder of the Company. He was a teaching assistant at the Law School of Fudan University from August 1995 to October 1996. He was awarded the National Education Committee on Technology Advancement Grade II Award (國家教委科技進步二等獎) in 1997. He graduated from Fudan University with a bachelor's degree in Biology in July 1992, a master's degree in Biology in July 1995, and from University of Hong Kong with a master's degree in Business Administration in November 2001.

Mr. Zhao has entered into a service contract with the Company for a period of three years commencing from 30 May 2014, subject to retirement by rotation and re-election in accordance with the Articles of Association.

As at the date of this report, Mr. Zhao beneficially owned 19,260,710 Domestic Shares of the Company, representing approximately 2.09% of the issued share capital of the Company.

Non-executive Directors

Ke Ying, aged 46, was appointed as a Non-executive Director in May 2012. She is a senior engineer. She is currently the deputy general manager of Research and Development Department of Shanghai Pharmaceuticals. She has extensive management experience in R&D of drugs. She used to be the deputy manager of Shanghai Si Wei Pharmaceutical Technical Co., Ltd. (上海斯威醫藥化學技術有限公司) from 1999 to 2002, the project manager and assistant to the general manager of Shanghai Kaiman Bio-technology Co., Ltd. (上海凱曼生物技術有限公司) from 2002 to 2004, and the minister of Resource Department and the assistant to the principal of the Central Research Institute of Shanghai Pharmaceuticals. from 2008 to 2010. She graduated from East China Normal University with a bachelor's degree in Chemistry in July 1990, and a master's degree in Fine Organic Synthesis in July 1993.

Ms. Ke has entered into a service contract with the Company for a period of three years commencing from 30 May 2014, subject to retirement by rotation and re-election in accordance with the Articles of Association.

Shen Bo, aged 41, was appointed as a Non-executive Director in June 2012. He has passed the PRC Certified Public Accountants examination. He is the Chief Financial Officer of Shanghai Pharmaceuticals, and concurrently appointed as the chairman of Shanghai Medical Instrument Co., Ltd., supervisor of Shanghai Pharmaceutical Distribution Co., Ltd., director of SPH Keyuan Xinhai Pharmaceutical Co., Ltd., director of Changzhou Pharmaceutical Co., Ltd., director of Shanghai Pharma Northern Investment Co., Ltd., director of Chiatai Qingchunbao Pharmaceutical Co., Ltd. and director of Dong Ying (Jiangsu) Pharmaceuticals Co., Ltd. He used to be the deputy manager of the financial department of Shanghai Jinling Co., Ltd. from 1996 to 2000, financial director of Shanghai Jinling Tai Ke IT Development Co., Ltd. from May 2000 to December 2000, Chief Financial Officer of Shanghai Industrial Pharmaceutical Investment Co., Ltd. from January 2006 to November 2006 and general manager of the financial department of Shanghai Pharmaceutical (Group) Co., Ltd. from 2006 to 2010. He graduated from the Shanghai Institute of Construction Materials Industry with a bachelor's degree in accounting in July 1996, and from Chinese University of Hong Kong with a Master of Professional Accounting in December 2007.

Mr. Shen has entered into a service contract with the Company for a period of three years commencing from 30 May 2014, subject to retirement by rotation and re-election in accordance with the Articles of Association.

Yu Xiao Yang, aged 57, was appointed as a Non-executive Director in May 2013. She has over 20 years of banking and investment experience. She is a Founding Partner of China New Enterprise Investment (CNEI) and was a founder of Victoria Capital Limited, a corporate finance advisory firm in 1998, and served as its director. She was among the first mainland Chinese to embark on a professional career with major international financial institutions. She served at Paris Bank in Geneva, Dresdner Bank in Frankfurt, London and New York from 1980 to 1985, and Salomon Brothers from 1987 to 1991, working in the areas of M&A and corporate finance. She graduated from International Management Institute (Geneva), predecessor of International Institute for Management Development (IMD), with a master's degree in Business Administration in May 1982.

Ms. Yu has entered into a service contract with the Company for a period of three years commencing from 30 May 2014, subject to retirement by rotation and re-election in accordance with the Articles of Association.

Independent Non-executive Directors

Zhou Zhong Hui, aged 67, was appointed as an Independent Non-executive Director on 30 May 2013. He is a member of the International Advisory Committee of the China Securities Regulatory Commission, the Audit Regulation Committee of Chinese Institution of Certified Public Accountant and the managing director of China Appraisal Society. He used to be the Chief Accountant of the China Securities Regulatory Commission from 2007 to 2011, a Partner, the General Manager and Chief Accountant of PricewaterhouseCoopers Zhong Tian CPAs Limited Company from 1992 to 2007 and a professor of Shanghai University of Finance and Economics from 1989 to 1998. He has been an independent non-executive director of BestTV New Media Co., Ltd., a company listed on the Shanghai Stock Exchange (Shanghai Stock Code: 600637) since 23 December 2011. He has been an independent non-executive director of China Pacific Insurance (Group) Co., Ltd., a company listed on the Shanghai Stock Exchange (Shanghai Stock Code: 601601) and the Stock Exchange (Stock Code: 02601) since 31 May 2013. He graduated from Shanghai University of Finance and Economics with a master's degree in Economics in November 1983, and a Ph.D. in Economics in January 1993.

Mr. Zhou has entered into a service contract with the Company for a period of three years commencing from 30 May 2014, subject to retirement by rotation and re-election in accordance with the Articles of Association.

Lam Yiu Kin, aged 59, was appointed as an Independent Non-executive Director on 9 October 2013. He is a fellow member of the Association of Chartered Certified Accountants (ACCA), the Institute of Chartered Accountants in England & Wales (ICAEW), the Institute of Chartered Accountants in Australia (ICAA), and Hong Kong Institute of Certified Public Accountants (HKICPA). He is presently an Adjunct Professor in the School of Accounting and Finance of the Hong Kong Polytechnic University, and a committee member of the Hong Kong Management Association. Mr. Lam has extensive experiences in accounting, auditing and business consulting. He was a member of the Listing Committee of the Stock Exchange from 1997 to 2003, a committee member of HKICPA from 1994 to 2009, a member of the Financial Reporting Advisory Panel of the Stock Exchange from 1997 to 2003 and a partner with PricewaterhouseCoopers Hong Kong from 1993 to 2013. He graduated from Hong Kong Polytechnic University with a higher diploma in June 1975. He has been an independent non-executive director of Kate China Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8125) since 30 June 2014.

Mr. Lam has entered into a service contract with the Company for a period of three years commencing from 30 May 2014, subject to retirement by rotation and re-election in accordance with the Articles of Association.

Chen Kai Xian, aged 69, is a researcher and Ph.D. supervisor of Shanghai Institute of Materia Medica Chinese, Academy of Sciences, an academician of Chinese Academy of Sciences. He is currently the chairman of Shanghai Association for Science & Technology, an executive member of Chinese Pharmacopoeia Commission, the deputy director of Chinese Pharmaceutical Association, the president of Chinese Association of Integrative Medicine, honorary director of Shanghai Pharmaceutical Association and Chinese Medical Association Shanghai Branch, the deputy director of Shanghai Chemistry and Chemical Institute, an editor of several professional publications such as *Acta Pharmacologica Sinica* and *Chinese Journal of New Drugs*, etc. He is also a part-time professor of Fudan University and China Pharmaceutical University. He joined Shanghai Institute of Materia Medica, Chinese Academy of Sciences in June 1988, used to be the head and a director of the academic committee of Shanghai Institute of Materia Medica, Chinese Academy of Sciences. He was the president of Shanghai University of Traditional Chinese Medicine from March 2005 to February 2014. He graduated from Fudan University in 1967. He obtained a master's degree and doctorate in 1982 and 1985 respectively from Shanghai Institute of Materia Medica, Chinese Academy of Sciences. Mr. Chen had been an independent non-executive director of Fosun International Limited, a company listed on the Stock Exchange (Stock Code: 0656) since August 2005, and resigned on 28 March 2012.

Mr. Chen has entered into a service contract with the Company for a period of three years commencing from 30 May 2014, subject to retirement by rotation and re-election in accordance with the Articles of Association.

SUPERVISORS

Zhao Wen Bin, aged 40, was appointed as an independent supervisor on 30 May 2013. He is currently the managing director of Shanghai Fudan Asset Operating Limited. He used to be deputy managing director of the Enterprise Incubation & Equity Management Office of Fudan University, the secretary-general of Fudan Charity Fund, deputy director of Student Service Union, deputy secretary of Fudan University Committee of the Communist Youth League, etc. He graduated from Fudan University in 1998.

Mr. Zhao has entered into a service contract with the Company for a period of three years commencing from 30 May 2014, subject to retirement by rotation and re-election in accordance with the Articles of Association.

Li Ning Jian, aged 31, was appointed as an independent supervisor on 30 May 2013. He has years of experience in venture capital and securities investment. He is currently the senior investment manager of Shanghai Pudong Science and Technology Investment Co., Ltd. He graduated from Nanjing University with a bachelor's degree in Economics and a bachelor's degree in Management. He also holds a master's degree in Science from the Hong Kong Baptist University, and a master's degree in Science from the University of Kent, United Kingdom.

Mr. Li has entered into a service contract with the Company for a period of three years commencing from 30 May 2014, subject to retirement by rotation and re-election in accordance with the Articles of Association.

Zhang Man Juan, aged 50, was appointed as a supervisor representing employees in June 2005. She is currently the Manager of the Finance Department of the Company. She has been engaged in finance and accounting work for many years. She used to be a deputy chief of the finance department of Shanghai Huaihai Medical Factory. She graduated from China Broadcast & Television University in Finance and Accounting.

Ms. Zhang has entered into a service contract with the Company for a period of three years commencing from 30 May 2014, subject to retirement by rotation and re-election in accordance with the Articles of Association.

As at the date of this report, Ms. Zhang beneficially owned 870,000 Domestic Shares of the Company, representing approximately 0.09% of the issued share capital of the Company.

Guo Yi Cheng, aged 68, was appointed as an independent supervisor in May 2008. He had been appointed as a supervisor between June 2005 and June 2006. He used to be the head of Teaching and Research Section of Shanghai Mechanical and Electrical Party School, deputy head of Economy Department of Shanghai Municipality Government Research Office, deputy general manager of Shanghai Pharmaceutical Co., Ltd., and the director and deputy general manager of General Technology Group Pharmaceutical Holding Limited. He graduated from Economic Management College of China Central Party School and holds a researcher's qualification from Shanghai Academy of Social Sciences.

Mr. Guo has entered into a service contract with the Company for a period of three years commencing from 30 May 2014, subject to retirement by rotation and re-election in accordance with the Articles of Association.

Xu Qing, aged 50, was appointed as an independent supervisor in May 2008. He is currently the deputy director of the Oncology Department of Tongji University Medical School, deputy director of Tumor Institute of Tongji University Medical School, and director, deputy chief physician, and deputy professor of Tumor Internal Medicine Department of the Tenth People's Hospital affiliated to Tongji University. He used to serve as a deputy director, a deputy chief physician, and a deputy professor of the Tumor Internal Medicine Department of Chang Zheng Hospital of The Second Military Medical University. He has been engaged in the fundamental and clinical research on tumor for a long time. He has published over 20 articles in medical journals both domestic and abroad. He graduated from The Second Military Medical University with a Ph.D. degree. He did his postdoctoral research in the H.Lee. Moffitt Tumor Centre of University of South Florida as a visiting scholar.

Mr. Xu has entered into a service contract with the Company for a period of three years commencing from 30 May 2014, subject to retirement by rotation and re-election in accordance with the Articles of Association.

SENIOR MANAGEMENT

Li Jun, aged 46, is a cofounder of the Company. He is a deputy general manager of the Company. He has been responsible for several research projects of the Natural Science Fund, and has published numerous articles. He is a certified pharmacist. He was a teaching assistant and lecturer at Fudan University from August 1993 to November 1996, during which he also served as deputy chief technology officer of Zhejiang Shenghua Biok Biology Co. Ltd. and was involved in the research and manufacture of three new drugs. He graduated from Fudan University with a master's degree in Biology in July 1993. Mr. Li Jun has not held any directorships in listed public companies in the past three years.

Yang Xiao Lin, aged 52, joined the Company in January 2006. He is a deputy general manager of the Company. He has participated in and been in charge of several M&A projects for pharmaceutical companies. He has also been responsible for marketing and selling prescribed and OTC medicine in many sectors, and has obtained good results. He used to be the Marketing Director of Fosun Pharmaceutical Group from December 2001 to January 2005, and General Manager of Zhejiang Kanglaite Pharmaceutical Co., Ltd. from January 2005 to January 2006. He graduated from Chinese Academy of Social Sciences with an MBA degree in 1999. Mr. Yang Xiao Lin has not held any directorships in listed public companies in the past three years.

Gan Yi Min, aged 52, joined the Company in 2010. He is a deputy general manager of the Company. He used to be the general manager of Haini Pharmaceutical Co., Ltd. (Shanghai) from 2003 to 2009, responsible for completion of construction of production workshops, laboratories and workstations, recruitment of staff and managers, and establishing a performance evaluation system. He was the production manager of Xi'an Janssen Pharmaceutical Co., Ltd. from 1995 to 2003 responsible for organizing and implementing a number of medium and large technological transformation projects. He obtained a bachelor's degree in Industrial Automation from Xian Technology University in December 1990, an MBA from Xi'an Jiaotong University in December 2001, an EMBA from Antwerp University (Belgium) in October 2002, and a master's degree in Pharma Engineering from Beijing Chemical Engineering University in December 2006. Mr. Gan Yi Min has not held any directorships in listed public companies in the past three years.

COMPANY SECRETARY

Xue Yan, aged 33, was appointed as company secretary in August 2010. She is also the Chief Financial Officer and an authorized representative of the Company. She is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA), a fellow of the Association of Chartered Certified Accountants (ACCA), and a member of the Chinese Institute of Certified Public Accountants (CICPA). She is qualified as a Certified Internal Auditor. She has extensive professional experience in accounting as well as experience in corporate compliance. She graduated from Shanghai University of Finance & Economics with a bachelor's degree in International Accounting.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
	Note		
Revenue	6	153,370	156,933
Cost of sales	8	<u>(12,190)</u>	<u>(12,273)</u>
Gross profit		141,180	144,660
Other income	7	25,668	16,333
Research and development costs	8	(28,852)	(17,524)
Distribution and marketing costs	8	(82,757)	(93,179)
Administrative expenses	8	(13,818)	(12,927)
Other operating expenses	8	<u>(50)</u>	<u>(3,313)</u>
Operating profit		41,371	34,050
Finance costs		<u>(1,057)</u>	<u>(3,515)</u>
Profit before income tax		40,314	30,535
Income tax expense	9	<u>(5,034)</u>	<u>(6,315)</u>
Profit for the period		<u>35,280</u>	<u>24,220</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>35,280</u>	<u>24,220</u>
Profit attributable to:			
Shareholders of the Company		36,296	27,904
Non-controlling interests		<u>(1,016)</u>	<u>(3,684)</u>
		<u>35,280</u>	<u>24,220</u>
Total comprehensive income attributable to:			
Shareholders of the Company		36,296	27,904
Non-controlling interests		<u>(1,016)</u>	<u>(3,684)</u>
		<u>35,280</u>	<u>24,220</u>
Basic and diluted earnings per share for profit attributable to the shareholders of the Company (RMB)	11	<u>0.0393</u>	<u>0.0337</u>

The notes on pages 27 to 40 form an integral part of this interim consolidated financial information.

		Unaudited	
		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
Dividend	10	<u>-</u>	<u>-</u>

INTERIM CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		30 June	31 December
		2014	2013
	<i>Note</i>	RMB'000	RMB'000
Non-current assets			
Leasehold land payments	12	32,945	33,340
Property, plant and equipment	12	278,037	264,732
Technical know-how	12	2,128	2,099
Deferred costs	12	13,900	9,997
Deferred income tax assets		5,408	6,383
Other non-current assets	13	2,643	2,954
		<hr/> 335,061	<hr/> 319,505
Current assets			
Inventories		24,347	15,568
Trade receivables	14	80,034	66,986
Other receivables, deposits and prepayments		17,080	20,432
Amounts due from related parties		7,851	1,798
Cash and cash equivalents		284,202	324,927
		<hr/> 413,514	<hr/> 429,711
Total assets		<hr/> 748,575	<hr/> 749,216

INTERIM CONSOLIDATED BALANCE SHEET (CONTINUED)

		Unaudited 30 June 2014 <i>RMB'000</i>	Audited 31 December 2013 <i>RMB'000</i>
	<i>Note</i>		
Non-current liabilities			
Borrowings	17	–	25,000
Deferred revenue	15	31,646	35,647
		31,646	60,647
Current liabilities			
Trade payables	16	5,632	8,843
Other payables and accruals		56,961	68,159
Current income tax liabilities		3,526	8,977
Borrowings	17	25,000	15,000
Deferred revenue	15	24,605	21,665
		115,724	122,644
Total liabilities		147,370	183,291
Capital and reserves attributable to shareholders of the Company			
Share capital		92,300	92,300
Reserves		476,713	440,417
		569,013	532,717
Non-controlling interests		32,192	33,208
Total equity		601,205	565,925
Total equity and liabilities		748,575	749,216
Net current assets		297,790	307,067
Total assets less current liabilities		632,851	626,572

The notes on pages 27 to 40 form an integral part of this interim consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June 2014 RMB'000	Unaudited Six months ended 30 June 2013 RMB'000
Operating activities		
Cash generated from/(used for) operations	10,824	(5,648)
Interest paid	(1,057)	(3,515)
Interest received	481	840
Income tax paid	(9,510)	(6,723)
	<hr/>	<hr/>
Net cash used in operating activities	738	(15,046)
Investing activities		
Purchase of property, plant and equipment	(27,985)	(26,690)
Additions of deferred costs	(2,283)	(819)
Purchase of technical know-how	(148)	–
Proceeds from disposal of property, plant and equipment	405	2
Investments in low-risk bank financial products	(681,708)	(336,000)
Cash received upon maturity of low-risk bank financial products	685,256	336,714
	<hr/>	<hr/>
Net cash used in investing activities	(26,463)	(26,793)
Financing activities		
Proceeds from placing and issue of restricted shares	–	207,857
Expenses paid for placing	–	(1,780)
Proceeds from borrowings	–	15,000
Repayments of borrowings	(15,000)	(61,498)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(15,000)	159,579
Net (decrease)/increase in cash and cash equivalents		
	(40,725)	117,740
Cash and cash equivalents at beginning of the period	324,927	158,267
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>284,202</u>	<u>276,007</u>

The notes on pages 27 to 40 form an integral part of this interim consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					Total equity RMB'000
	Attributable to shareholders of the Company				Non- controlling interests RMB'000	
	Share capital RMB'000	Capital accumulation reserve RMB'000	Statutory common reserve fund RMB'000	(Accumulated losses)/Retained earnings RMB'000		
Balance at 1 January 2013	71,000	211,240	6,419	(65,431)	36,885	260,113
Profit/(loss) for the period	-	-	-	27,904	(3,684)	24,220
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	27,904	(3,684)	24,220
Transactions with shareholders						
Proceeds from shares issued net of issuance costs	17,750	186,416	-	-	-	204,166
Total transactions with shareholders, recognised directly in equity	17,750	186,416	-	-	-	204,166
Balance at 30 June 2013	<u>88,750</u>	<u>397,656</u>	<u>6,419</u>	<u>(37,527)</u>	<u>33,201</u>	<u>488,499</u>
Balance at 1 January 2014	<u>92,300</u>	<u>412,211</u>	<u>16,168</u>	<u>12,038</u>	<u>33,208</u>	<u>565,925</u>
Profit/(loss) for the period	-	-	-	36,296	(1,016)	35,280
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	36,296	(1,016)	35,280
Balance at 30 June 2014	<u>92,300</u>	<u>412,211</u>	<u>16,168</u>	<u>48,334</u>	<u>32,192</u>	<u>601,205</u>

The notes on pages 27 to 40 form an integral part of this interim consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

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 RMB 5,295,000.

Pursuant to a series of capital injections on 10 November 1997, 11 May 2000, and 12 September 2000 from the existing or the then 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 ("Domestic Shares") with a par value of RMB0.10 each.

On 13 August 2002, the trading of the newly issued 198,000,000 ordinary shares ("H Shares") of RMB0.10 each of the Company commenced 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 share capital of the Company was increased to RMB71,000,000.

On 4 February 2013, the Company completed a placing of 142,000,000 H Shares with a par value of RMB0.10 each at a price of HKD1.70. Therefore the share capital of the Company was increased to RMB85,200,000.

On 29 June 2012, the Company adopted a restricted share scheme to issue no more than 71,000,000 Domestic Shares as restricted stock under the scheme. Pursuant to the scheme, the participants mainly include Directors, senior management, mid-level management and key research staff of the Group who contributed to the success of the Company's strategy, and other key employees who, in the opinion of the Board or the remuneration committee of the Company, contributed directly to the overall business performance and sustainable development of the Group.

On 24 June 2013, the Company completed the grant of restricted shares under the initial grant and received the approval from, and completed the registration and filing procedures with the relevant authorities in the PRC. The Company granted 35,500,000 restricted shares to the scheme participants at the grant price of RMB0.51 per restricted share pursuant to the restricted share scheme. Upon completion of the second grant, the share capital of the Company was increased to RMB88,750,000.

1. General information (Continued)

On 21 October 2013, the Company completed the grant of restricted shares under the second grant and received the approval from, and completed the registration and filing procedures with the relevant authorities in the PRC. The Company granted 35,500,000 restricted shares to the scheme participants at the grant price of RMB0.51 per restricted share pursuant to the restricted share scheme. Upon completion of the second grant, the share capital of the Company was increased to RMB92,300,000.

On 13 September 2013, an application was made by the Company to the Stock Exchange for the Transfer of Listing. The approval-in-principle was granted by the Stock Exchange on 6 December 2013 for the H Shares to be listed on the Main Board of the Stock Exchange and to be de-listed from GEM. Dealings in the H Shares on the Main Board commenced on 16 December 2013.

As at 30 June 2014, the Company had direct interests of 100%, 65%, 69.77% and 56% in four subsidiaries, Shanghai Morgan-Tan International Center for Life Sciences Co., Ltd. ("Morgan-Tan"), Shanghai Ba Dian Medicine Co., Ltd. ("Ba Dian"), Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical") and Shanghai Tracing Bio-technology Co., Ltd. ("Tracing") 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 in the PRC.

The address of the Company's registered office is 308 Cailun Road, Zhangjiang Hi-Tech Park, Pudong, Shanghai, PRC.

This condensed consolidated interim financial information is presented in Renminbi ("RMB") thousands, unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors of the Company on 20 August 2014.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the consolidated financial statements of the Company for the year ended 31 December 2013, as described in those consolidated financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(i) New amendments and interpretation adopted by the Group

The following amendments and interpretation are mandatory for the first time for the financial year beginning on 1 January 2014.

IFRS 10 (Amendments)	Consolidated Financial Statements
IFRS 12 (Amendments)	Disclosures of Interests in Other Entities
IAS 27 (Amendments)	Separate Financial Statements
IAS 32 (Amendments)	Financial Instruments: Presentation
IAS 36 (Amendments)	Impairment of Assets, on recoverable amount disclosures
IAS 39 (Amendments)	Financial Instruments: Recognition and Measurement, on novation of derivatives
IFRIC Interpretation 21	Levies

The adoption of the above new amendments and interpretation did not have any significant impact on the Group's interim financial information for the six months ended 30 June 2014.

(ii) The following new standards and amendments which are relevant to the Group's operations have been issued but are not yet effective and have not been early adopted by the Group. The Directors anticipate that adoption of these new standards and amendments when they become effective will not result in substantial changes to the Group's results of operations and financial position.

IFRS 2 (Amendments)	Share-based Payment
IFRS 3 (Amendments)	Business Combinations
IFRS 8 (Amendments)	Operating Segments
IFRS 9	Financial Instruments
IFRS 11 (Amendments)	Joint Arrangements
IFRS 13 (Amendments)	Fair Value Measurement
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IAS 16 (Amendments)	Property, Plant and Equipment
IAS 19 (Amendments)	Employee Benefits
IAS 24 (Amendments)	Related Party Disclosures
IAS 37 (Amendments)	Provisions, Contingent Liabilities and Contingent Assets
IAS 38 (Amendments)	Intangible Assets
IAS 40 (Amendments)	Investment Property

4. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company's consolidated financial statements for the year ended 31 December 2013.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2013.

There have been no changes in the risk management functions since year end or in any risk management policies since the year end.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

6. Revenue

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 in the PRC. Revenue recognised during the period are as follows:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Sales of medical products	150,870	154,355
Exclusive rights (<i>note (a)</i>)	2,500	2,500
Technology transfer revenue (<i>note (b)</i>)	–	78
	153,370	156,933

6. Revenue (Continued)

- (a) In March 2011, the exclusive distribution rights of Doxorubicin Liposome Injection products were granted to a pharmaceutical distribution company for a period from the contract effective day to 28 February 2015 and a potential extension of another four years, at a total consideration of RMB20,000,000, of which an amount of RMB2,500,000 was recognised as revenue in the six months ended 30 June 2014 and 2013.
- (b) On 25 March 2002, the Company signed a technology transfer contract with a pharmaceutical company in Shandong Province to transfer Recombinant Tissue Type Plasminogen Activator (r-tPA) for a total consideration of RMB15,000,000, which was completed in 2007. In addition, pursuant to the contract, the Company is entitled to receive royalty payments from the pharmaceutical company equal to 2%-5% of the future gross annual sales over a period of 5 years to 2013. The royalty payment of RMB78,000 was received and recognised as revenue in the six months ended 30 June 2013.

7. Other income

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Cooperation agreement with Shanghai Pharmaceuticals (<i>note (a)</i>)	12,069	9,416
Government grants	9,554	5,223
Gains on investments in financial products (<i>note (b)</i>)	3,548	714
Interest income	481	840
Others	16	140
	<u>25,668</u>	<u>16,333</u>

- (a) On 23 February 2011, the Company and Shanghai Pharmaceuticals, a shareholder of the Company, signed a six-year innovative drug research and development strategic cooperation agreement in relation to four of the existing drug research projects undertaken by the Group. According to the Agreement, Shanghai Pharmaceuticals will bear 80% of the ongoing research and development expenses of these projects incurred by the Group from 1 January 2011 (inclusive), and the Group and Shanghai Pharmaceuticals will share equally the future benefits generated from the commercialization of these projects. In addition, Shanghai Pharmaceuticals also agreed to reimburse 80% of the R&D expenses incurred by the Group on these research projects prior to 1 January 2011 (the "Pre-2011 Costs") but the payments of the Pre-2011 Costs are subject to the status of R&D milestones.
- (b) The gains represented the gains on investments in low-risk bank financial products upon maturity.

8. Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Amortisation of leasehold land payments	395	395
Less: Amount capitalised in construction in progress	–	(342)
	395	53
Amortisation of deferred costs (included in 'Cost of sales')	954	507
Amortisation of technical know-how (included in 'Administrative expenses')	119	11
Provision for impairment of receivables	4,653	266
Inventories write-down	–	435
Changes in inventories of finished goods and work in progress	7,308	4,444
Raw materials and consumables used	9,908	10,724
Depreciation of property, plant and equipment	13,091	6,421
Less: Amount capitalised in deferred costs	(2,574)	–
	10,517	6,421
Losses/(gains) on disposal of property, plant and equipment	13	(11)
Operating lease rentals in respect of land and buildings	529	404
Research and development costs, excluding employee benefit expenses	7,314	2,582
Employee benefit expenses	28,907	23,770
Marketing and sales promotion expenses	50,495	71,310
Post-marketing study expenses	10,637	9,405
Quality inspection expenses	2,959	3,105
Others	2,959	5,790
	<hr/>	<hr/>
Total cost of sales, research and development costs, distribution and marketing costs, administrative expenses, and other operating expenses	137,667	139,216
	<hr/> <hr/>	<hr/> <hr/>

9. Income tax expense

Effective from 1 January 2008, the Company and its subsidiaries are required to determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") as approved by the National People's Congress on 16 March 2007. The Company was recognised as a high-tech enterprise in 2011 with a term of three years, and the applicable tax rate of the Company from 2011 to 2013 was 15%. The Company's high-tech enterprise certificate will expire on 20 October 2014 and will be reviewed following the relevant laws and regulations. The Company has submitted the application form accordingly. The applicable tax rate of the Company is 15% during the six months ended 30 June 2014 (2013: 15%). The applicable tax rates of the subsidiaries are 25% during the six months ended 30 June 2014 (2013: 25%).

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current income tax	4,059	6,015
Deferred income tax	975	300
	<u>5,034</u>	<u>6,315</u>

10. Dividend

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2014 (Six months ended 30 June 2013: Nil).

11. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2014	2013
Profit attributable to shareholders of the Company (RMB thousands)	36,296	27,904
Weighted average number of ordinary shares in issue (thousands)	923,000	827,287
Basic earnings per share (RMB)	<u>0.0393</u>	<u>0.0337</u>

There is no difference between the basic and diluted earnings per share for the six months ended 30 June 2014 and 30 June 2013 as there were no dilutive potential ordinary shares during the periods then ended.

12. 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 costs <i>RMB'000</i>
Cost				
At 1 January 2014	37,356	317,796	5,283	16,858
Additions	–	26,814	148	4,857
Disposals	–	(605)	–	–
	<u>37,356</u>	<u>344,005</u>	<u>5,431</u>	<u>21,715</u>
At 30 June 2014	37,356	344,005	5,431	21,715
Accumulated amortisation/ depreciation				
At 1 January 2014	4,016	53,064	3,184	6,861
Charge for the period	395	13,091	119	954
Disposals	–	(187)	–	–
	<u>4,411</u>	<u>65,968</u>	<u>3,303</u>	<u>7,815</u>
At 30 June 2014	4,411	65,968	3,303	7,815
Net book value				
At 30 June 2014	<u>32,945</u>	<u>278,037</u>	<u>2,128</u>	<u>13,900</u>
Cost				
At 1 January 2013	37,356	265,808	4,623	11,664
Additions	–	35,992	–	819
Disposals	–	(1,218)	–	–
	<u>37,356</u>	<u>300,582</u>	<u>4,623</u>	<u>12,483</u>
At 30 June 2013	37,356	300,582	4,623	12,483
Accumulated amortisation/ depreciation				
At 1 January 2013	3,226	44,545	2,978	5,847
Charge for the period	395	6,421	11	507
Disposals	–	(948)	–	–
	<u>3,621</u>	<u>50,018</u>	<u>2,989</u>	<u>6,354</u>
At 30 June 2013	3,621	50,018	2,989	6,354
Net book value				
At 30 June 2013	<u>33,735</u>	<u>250,564</u>	<u>1,634</u>	<u>6,129</u>

13. Other non-current assets

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Equipment prepayments	<u>2,643</u>	<u>2,954</u>

14. Trade receivables

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Accounts receivable <i>(note (a))</i>	79,634	64,832
Less: Provision for impairment	<u>(6,400)</u>	<u>(1,756)</u>
Accounts receivable – net	<u>73,234</u>	<u>63,076</u>
Notes receivable <i>(note (b))</i>	<u>6,800</u>	<u>3,910</u>
	<u>80,034</u>	<u>66,986</u>

As at 30 June 2014 and 31 December 2013, the fair value of the trade receivables approximated their carrying amounts.

As at 30 June 2014 and 31 December 2013, the carrying amounts of trade receivables are all denominated in RMB.

14. Trade receivables (Continued)

- (a) Accounts receivable are arisen from the sales of products, with no interest charged. The credit period granted to customers is between 1 to 4 months. The ageing analysis of accounts receivable based on invoice date, before provision for impairment as at 30 June 2014 and 31 December 2013 are as follows:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 <i>RMB'000</i>
Within credit terms	52,202	55,315
Past due within 30 days	8,828	3,712
Past due over 30 days and within 60 days	5,185	1,674
Past due over 60 days and within 90 days	522	600
Past due over 90 days and within one year	11,332	2,231
Past due over one year	1,565	1,300
	79,634	64,832

- (b) Notes receivable are arisen from the sales of products, with no interest and guarantee. They are all bank acceptance notes with maturities less than six months.

15. Deferred revenue

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 <i>RMB'000</i>
Government grants	49,822	40,962
Exclusive rights	3,333	5,833
Strategic cooperation agreement with Shanghai Pharmaceuticals (<i>note 7(a)</i>)	3,096	10,517
	56,251	57,312
Less: Amount to be realized within one year	(24,605)	(21,665)
	31,646	35,647

16. Trade payables

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 <i>RMB'000</i>
Accounts payable (<i>note (a)</i>)	5,632	8,843

As at 30 June 2014 and 31 December 2013, all trade payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.

All the Group's trade payables are denominated in RMB.

- (a) As at 30 June 2014 and 31 December 2013, the ageing analysis of accounts payable based on invoice date are as follows:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 <i>RMB'000</i>
Within 30 days	4,317	7,924
31 days to 60 days	129	551
61 days to 90 days	424	4
Over 90 days but less than one year	762	201
Over one year	—	163
	5,632	8,843

17. Borrowings

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Non-current		
Long-term bank borrowings, guaranteed (note (a))	25,000	25,000
Long-term bank borrowings, secured	–	15,000
Less: Current portion	<u>(25,000)</u>	<u>(15,000)</u>
	<u>–</u>	<u>25,000</u>
Current		
Current portion of long-term bank borrowings, guaranteed (note (a))	25,000	–
Current portion of long-term bank borrowings, secured	–	15,000
	<u>25,000</u>	<u>15,000</u>

- (a) As at 30 June 2014, the long-term bank borrowing of RMB 25,000,000 is taken by Taizhou Pharmaceutical, and bears an interest rate of 6.40%. The borrowing is guaranteed by the Company, and is due for repayment on 20 March 2015.

Interest expense on borrowings for the six months ended 30 June 2014 is RMB1,057,000 (Six months ended 30 June 2013: RMB3,515,000).

As at 30 June 2014 and 31 December 2013, the Group's borrowings were repayable as follows:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Within 1 year	25,000	15,000
Between 1 and 2 years	–	25,000
	<u>25,000</u>	<u>40,000</u>

18. Related party transactions

(i) Transactions

Unaudited
Six months ended 30 June
2014 2013
RMB'000 *RMB'000*

**With Shanghai Pharmaceutical
Distribution Co., Ltd.:**

Sales of medical products	6,103	7,323
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(i) Balances

	Unaudited	Audited
	30 June	31 December
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>

Amounts due from related parties:

Shanghai Pharmaceuticals	4,648	–
Shanghai Pharmaceutical Distribution Co., Ltd.	3,203	1,798
	7,851	1,798

**Advance received for cooperation
(recorded in “Deferred Revenue”):**

Shanghai Pharmaceuticals	3,096	10,517
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19. Segment information

The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Executive Directors that make strategic decisions.

In recent years, the Group has been focusing on the commercialization of its own drugs after research and development, and has not entered into any technology transfer contract since 2005. In the future, the outcomes of the Group's research and development activities will be given preference to be used by the Group for its own commercialization. As a result of the strategic shift in its business focus, the Group only received and recognised a royalty payment of RMB 78,000 as the revenue generated from technology transfer in 2013 and no such revenue was received or recognised during the six months ended 30 June 2014. Accordingly, the management considers that the Group only operates a single business segment since 2013 and hence no segment information is presented since 2013.

By Order of the Board
Wang Hai Bo
Chairman

As at the date of this report, the Board comprises:

Mr. Wang Hai Bo (*Executive Director*)
Mr. Su Yong (*Executive Director*)
Mr. Zhao Da Jun (*Executive Director*)
Ms. Ke Ying (*Non-executive Director*)
Mr. Shen Bo (*Non-executive Director*)
Ms. Yu Xiao Yang (*Non-executive Director*)
Mr. Zhou Zhong Hui (*Independent Non-executive Director*)
Mr. Lam Yiu Kin (*Independent Non-executive Director*)
Mr. Chen Kai Xian (*Independent Non-executive Director*)

Shanghai, the PRC

20 August 2014