



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 RESULTS REPORT

For the six months ended 30 June 2007

* *For identification purpose only*

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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 Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. 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 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the six months ended 30 June 2007

For the six months ended 30 June 2007, the Group recorded a turnover of approximately RMB7,001,000, the comparative figure for 2006 being RMB7,504,000.

The total turnover of the Group for the first half of 2007 was entirely derived from the sale of medical products. No technology transfer income was recognized during the period under review. In contrast, of the total turnover of the same period last year, RMB5,191,000 (or 69% of total turnover) was derived from the sale of medical products, and RMB2,313,000 (or 31% of total turnover) came from the income of technology transfer.

The Group’s total turnover for the first half of 2007 has decreased by 7% from the same period last year, of which, revenue from the sale of medical products increased by 35%, benefited from the good sales trend of Down’s Syndrome antenatal screening system.

For the six months ended 30 June 2007, cost of sales of the Group was approximately RMB4,186,000, comparing to RMB5,064,000 for the same period in 2006. Gross profit margin has enhanced.

Within the period under review, operating loss of the Group was approximately RMB14,740,000, compared to RMB10,250,000 for that of last year. Of the various expenditure presented before operating loss, research and development (R&D) costs have reduced, whereas distribution and marketing costs and administrative expenses have increased comparing to the same period last year. During the period under review, the Group has been launching a new product, Aminolevulinic Acid Hydrochloride (ALA) (鹽酸氨酮戊酸), to the market and therefore incurred a relatively large amount of marketing and selling expenses. Besides, the administrative expenses for the first half of last year was lower than this period under review, as part of the bad debts provided in previous years had been collected back during the first half of last year and consequently set off against accounts, which reduced the administrative expenses for that period.

A loss attributable to shareholders of the Company of approximately RMB15,142,000 was recorded in the interim consolidated financial statements for the six months ended 30 June 2007, whereas the loss attributable to shareholders of the Company for the same period last year was RMB10,552,000.

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, ideal progresses have been made in the areas of R&D, technological transfer and commercialization.

In the area of R&D, New Drug Certificate and New Drug Registration Approval have been granted to Aminolevulinic Acid Hydrochloride (ALA) (鹽酸氨酮戊酸) for the treatment of Condyloma acuminata. Nifedipine (尼非韋羅) for the treatment of AIDS has been approved to enter into clinical study. The Company made an announcement on 16 April 2007 regarding entering into collaboration and license agreement with an Australian company upon the overseas patent right of the project and the related technology, to enable an internationalized R&D on the project and its related technology. Depending on the progress of the research and the status of the accomplishment of the project, the subsidiary of the Company, Ba Dian, would be able to obtain a payment of up to US\$40,000,000 for the license and a certain proportion of patent fee after the drug is launched for sale.

With regard to patents, the Group has always been endeavoring in protecting the intellectual property rights of its innovative drugs and other R&D achievements. Within this reviewing period, the Group has been granted 1 invention patent.

In the area of commercialization, Certificate for GMP Certification has been granted to ALA (鹽酸氨酮戊酸), and sales of the product to the market has commenced. Reconstruction of the production sites for Duxorubicon liposome (鹽酸多柔比星脂質體) has been completed. Approval to the drug by SFDA is being expected.

Future prospects

Over the past years, 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 devote 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 respect of commercialization, the Group has realized production and sales on diagnostic reagents, Down's Syndrome antenatal screening system, and ALA, which is used for the treatment of dermal diseases. The Group has successfully accomplished the transformation from pure a selling and R&D type to a combination of R&D and commercialization. The Group has established its marketing system, in order to improve the entire function which is an organic combination of the various parts of the Group containing R&D, production, selling and marketing, so as to enable the Company 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 2007 (2006: 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 on 12 April 2006 which 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.

MATERIAL INVESTMENT

The Group established a wholly-owned subsidiary Taizhou Pharmaceutical (泰州藥業) in March 2007. Production lines will be constructed by stage based on the progress achieved in the development of the Company's products so that the subsidiary will gradually develop into a comprehensive production and manufacturing base integrating various production lines of the Company. Resolution of capital increase of RMB30,000,000 has been approved by the EGM held on 13 July 2007.

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 municipal government authorities. As at 30 June 2007, the Group had outstanding interest-free loans from municipal government of RMB12,650,000, of which RMB1,650,000 is unsecured, and an outstanding secured bank loan of RMB20,000,000 with interest fully subsidized.

As at 30 June 2007, the Group had a bank deposit, net cash and cash equivalent balance of approximately RMB35,641,000.

The Group's gearing ratio at 30 June 2007 was 0.49 (31 December 2006: 0.43) which is calculated based on the Group's total liabilities of RMB41,724,000 (31 December 2006: RMB43,320,000) and capital and reserves attributable to shareholders of the Company of RMB84,466,000 (31 December 2006: RMB99,608,000).

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 2007, the Group had a total of 186 employees, comparing with 144 employees as at 30 June 2006. Staff costs including directors' remuneration for the six months ended 30 June 2007 and 2006 were RMB9,943,000 and RMB6,659,000 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 2007, 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	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 2007, 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 Pharmaceutical (Group) Corporation	Domestic Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	27.26%	19.66%
Shanghai Pharmaceutical Co., Ltd.	Domestic Shares	139,578,560 (L)	Beneficial Owner	Corporate	27.26%	19.66%
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%
Shanghai Industrial Investment (Holdings) Co., Ltd.	H Shares	70,564,000 (L)	Interest of controlled corporation	Corporate	35.64%	9.94%
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%

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 Tongyong Pharmaceutical Co., Ltd. (上海通用藥業股份有限公司)	Drug manufacturing	40%
Ningbo Asia-Pacific Bio-technology Co., Ltd. (寧波亞太生物技術有限公司)	Drug manufacturing	89%
Shanghai Qingping Pharmaceutical Co., Ltd. (上海青平藥業有限公司)	Drug manufacturing	39%
Shanghai Hefeng Pharmaceutical Co., Ltd. (上海禾豐製藥有限公司)	Drug manufacturing	50%
Shanghai Fuda Pharmaceutical Co., Ltd. (上海福達製藥有限公司)	Drug manufacturing	70%
Shanghai Huashi Pharmaceutical Co., Ltd. (上海華氏製藥有限公司)	Drug manufacturing	100%
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 Tongmeng Pharmaceutical Co., Ltd. (海南同盟藥業有限公司)	Drug manufacturing	49%
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 2007, 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 2007.

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 2007.

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 2007 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		Unaudited	
		Three months ended 30 June		Six months ended 30 June	
		2007	2006	2007	2006
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	3	3,486	4,402	7,001	7,504
Cost of sales		(1,845)	(2,149)	(4,186)	(5,064)
Gross profit		1,641	2,253	2,815	2,440
Other income		550	1,258	1,706	1,918
Research and development costs		(4,376)	(4,515)	(7,809)	(9,696)
Distribution and marketing costs		(3,917)	(817)	(6,571)	(2,022)
Administrative expenses		(2,350)	(938)	(4,789)	(2,404)
Other operating expenses		(38)	(225)	(92)	(486)
Operating loss	4	(8,490)	(2,984)	(14,740)	(10,250)
Finance costs		(218)	—	(574)	—
Share of results of an associate		183	(258)	(313)	(679)
Loss before income tax		(8,525)	(3,242)	(15,627)	(10,929)
Income tax	5	—	(5)	—	(5)
Loss for the period		(8,525)	(3,247)	(15,627)	(10,934)
Attributable to:					
Shareholders of the Company		(8,350)	(3,078)	(15,142)	(10,552)
Minority interests		(175)	(169)	(485)	(382)
		(8,525)	(3,247)	(15,627)	(10,934)
Basic loss per share for loss attributable to the shareholders of the Company (RMB)	7	(0.0118)	(0.0043)	(0.0213)	(0.0149)

CONSOLIDATED INTERIM BALANCE SHEET

		Unaudited	Audited
		30 June	31 December
		2007	2006
	<i>Note</i>	RMB'000	RMB'000
Non-current assets			
Leasehold land payments	8	11,348	11,416
Property, plant and equipment	8	56,142	56,051
Technical know-how	8	1,688	2,294
Deferred development costs	8	5,984	6,894
Investment in an associate		437	607
Deferred income tax assets		7,513	7,513
		<hr/> 83,112 <hr/>	<hr/> 84,775 <hr/>
Current assets			
Inventories		4,398	2,927
Trade receivables	9	3,142	7,362
Other receivables, deposits and prepayments		1,500	735
Available-for-sale investments		—	38
Term deposits in bank with maturities of three to twelve months		15,000	5,000
Cash and cash equivalents		20,641	44,180
		<hr/> 44,681 <hr/>	<hr/> 60,242 <hr/>
Total assets		<hr/> 127,793 <hr/>	<hr/> 145,017 <hr/>

		Unaudited	Audited
		30 June	31 December
		2007	2006
	<i>Note</i>	RMB'000	RMB'000
Non-current liabilities			
Borrowings		20,000	20,000
Loans from municipal government authorities	11	11,000	11,000
		31,000	31,000
Current liabilities			
Trade payables	10	848	602
Other payables and accruals		4,954	7,634
Deferred revenue		3,272	2,434
Loans from municipal government authorities	11	1,650	1,650
		10,724	12,320
Total liabilities		41,724	43,320
Capital and reserves attributable to shareholders of the Company			
Share capital		71,000	71,000
Reserves		13,466	28,608
		84,466	99,608
Minority interests		1,604	2,089
Total equity		86,070	101,697
Total equity and liabilities		127,794	145,017
Net current assets		33,957	47,922
Total assets less current liabilities		117,069	132,697

CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited Six months ended 30 June 2007 RMB'000	Unaudited Six months ended 30 June 2006 RMB'000
Operating activities		
Cash used in operations	(8,622)	(16,223)
Interest paid	(574)	—
Net cash used in operating activities	(9,196)	(16,223)
Investing activities		
Purchase of property, plant and equipment	(4,785)	(12,126)
Purchase of technical know-how	(105)	(450)
Purchase of available-for-sales investments	(178)	(58)
Addition of term deposits with maturities of three to twelve months	(10,000)	(8,758)
Interest received from term deposits with maturities of three to twelve months	246	143
Proceeds from disposal of property, plant and equipment	96	—
Proceeds from disposal of available-for-sale investments	383	253
Net cash used in investing activities	(14,343)	(20,996)
Financing activities		
Loans from municipal government authorities	—	11,000
Net cash generated from financing activities	—	11,000
Net decrease in cash and cash equivalents	(23,539)	(26,219)
Cash and cash equivalents at beginning of the year	44,180	49,755
Cash and Cash equivalents at end of the year	20,641	23,536

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited					Minority interests	Total
	Attributable to shareholders of the Company						
	Share capital	Capital accumulation reserve	Statutory common reserve fund	Statutory common welfare fund	Accumulated losses		
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Balance at							
1 January 2006	71,000	115,014	1,709	1,120	(68,279)	3,163	123,727
Loss for the period	—	—	—	—	(10,552)	(382)	(10,934)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at							
30 June 2006	71,000	115,014	1,709	1,120	(78,831)	2,781	112,793
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance at							
1 January 2007	71,000	115,014	2,829	—	(89,235)	2,089	101,697
Loss for the period	—	—	—	—	(15,142)	(485)	(15,627)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at							
30 June 2007	71,000	115,014	2,829	—	(104,377)	1,604	86,070
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 100% in its subsidiaries Morgan-Tan and 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 report has been prepared in accordance with IAS 34. The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006.

The unaudited results include the results of the Company and its subsidiaries. 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 intercompany 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 2007			Unaudited three months ended 30 June 2006		
	Research and development activities	Sales of medical products	Total	Research and development activities	Sales of medical products	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	<u>—</u>	<u>3,486</u>	<u>3,486</u>	<u>2,148</u>	<u>2,254</u>	<u>4,402</u>
Segment loss	(4,122)	(2,276)	(6,398)	(1,859)	(645)	(3,079)
Unallocated income			78			1,258
Unallocated loss			(2,205)			(1,421)
Loss before income tax			(8,525)			(3,242)
Income tax			—			(5)
Loss for the period			<u>(8,525)</u>			<u>(3,247)</u>

	Unaudited six months ended 30 June 2007			Unaudited six months ended 30 June 2006		
	Research and development activities	Sales of medical products	Total	Research and development activities	Sales of medical products	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	<u>—</u>	<u>7,001</u>	<u>7,001</u>	<u>2,313</u>	<u>5,191</u>	<u>7,504</u>
Segment loss	(7,268)	(3,756)	(11,024)	(7,605)	(1,673)	(9,278)
Unallocated income			591			1,918
Unallocated loss			(5,194)			(3,569)
Loss before income tax			(15,627)			(10,929)
Income tax			—			(5)
Loss for the period			<u>(15,627)</u>			<u>(10,934)</u>

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 Relevant Periods 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	
	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Amortisation of government grants and other non-refundable grants	(472)	(340)	(1,115)	(1,030)
Amortisation of leasehold land payments	34	26	68	53
Amortisation of deferred development costs	455	580	910	1,159
Amortisation of technical know-how	356	379	712	757
Depreciation of fixed assets	1,215	921	2,248	2,059
Research and development costs (<i>note</i>)	4,376	4,515	7,809	9,696
Staff costs (<i>note</i>)				
Housing subsidy	564	526	1,069	1,017
Retirement benefit costs	462	340	842	647
Social security costs	246	216	466	423
Wages and salaries	3,100	2,381	7,065	4,572
	4,373	3,463	9,443	6,659

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 is also included in the employee benefit expenses.

5. Income tax

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Income tax charge	—	(5)	—	(5)
	—	(5)	—	(5)

The Company and its subsidiaries are subject to the Income Tax Law of the PRC and the normal income tax rate applicable is 33%. As the Company is recognized as a New and High Technology Enterprise, and is operating and registered in the State Level New and High Technology Development Zone, it is entitled to a reduced Income Tax rate of 15%. As the subsidiaries Morgan-Tan and Ba Dian are recognized as domestic companies registered in Shanghai Pudong New Area, they are also entitled to the reduced Income Tax rate of 15%.

On 16 March 2007, a new PRC enterprise income tax law has been enacted which will be applicable to the Group. The new tax law which will be effective on 1 January 2008 reduces the standard income tax rate from 33% to 25% and changes the previous preferential tax treatments. Management is following up the new tax law and will only be able to assess its impact to the Group when the detailed implementation guideline becomes available.

6. Dividends

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

7. Loss per share

The calculation of the basic loss per share for the three months ended 30 June 2007 and 30 June 2006 were based on the unaudited loss attributable to shareholders of the Company of approximately RMB8,350,000 (three months ended 30 June 2006: loss attributable to shareholders of the Company of approximately RMB3,078,000) and total shares in issue of 710,000,000 shares (three months ended 30 June 2006: 710,000,000 shares) during the three months ended 30 June 2007.

The calculation of the basic loss per share for the six months ended 30 June 2007 and 30 June 2006 were based on the unaudited loss attributable to shareholders of the Company of approximately RMB15,142,000 (six months ended 30 June 2006: loss attributable to shareholders of the Company of approximately RMB10,552,000) and total shares in issue of 710,000,000 shares (six months ended 30 June 2006: 710,000,000 shares) during the six months ended 30 June 2007.

Diluted loss per share have not been calculated for the three months or six months ended 30 June 2007 and 2006 respectively as there were no dilutive potential ordinary shares during those periods.

8. Capital expenditure

	Leasehold land payments <i>RMB'000</i>	Property, plant and equipment <i>RMB'000</i>	Deferred Technical Know-how <i>RMB'000</i>	development costs <i>RMB'000</i>
Cost				
At 1 January 2007	11,988	74,738	8,942	14,365
Additions	—	2,435	105	—
Disposals	—	(122)	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2007	11,988	77,051	9,047	14,365
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated amortisation				
At 1 January 2007	572	18,687	6,648	7,471
Charge for the period	68	2,248	712	910
Disposals	—	(26)	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2007	640	20,909	7,360	8,381
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 June 2007	11,348	56,142	1,688	5,984
	<hr/>	<hr/>	<hr/>	<hr/>
	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 2007	9,239	65,910	8,942	14,365
Additions	450	4,700	—	—
Disposals	—	(129)	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2007	9,689	70,481	8,942	14,365
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated amortisation				
At 1 January 2007	375	14,345	5,148	5,652
Charge for the period	53	2,059	757	1,159
Disposals	—	(49)	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2007	428	16,355	5,905	6,811
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 June 2007	9,261	54,126	3,037	7,554
	<hr/>	<hr/>	<hr/>	<hr/>

9. Trade receivables

Details of the aging analysis are as follows:

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 <i>RMB'000</i>
Current to 30 days	981	491
31 days to 60 days	511	373
61 days to 90 days	243	224
Over 90 days but less than one year	1,428	468
Over one year	1,648	1,534
	<hr/>	<hr/>
	4,812	3,090
Provision	(1,670)	(1,670)
	<hr/>	<hr/>
	3,142	1,420
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Customers are generally granted credit terms of 90 days.

10. Trade payables

Details of the aging analysis are as follows:

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 <i>RMB'000</i>
Current to 30 days	377	96
31 days to 60 days	—	9
61 days to 90 days	4	—
Over 90 days but less than one year	279	141
Over one year	189	356
	<hr/>	<hr/>
	848	602
	<hr/> <hr/>	<hr/> <hr/>

11. Loans from municipal government authorities

The loans from municipal government authorities are repayable as follows:

	Unaudited	Audited
	30 June	31 December
	2007	2006
	RMB'000	RMB'000
Within one year	1,650	1,650
Within five years	11,000	11,000
	12,650	12,650

12. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operation decisions.

The Group had no significant related party transactions during the six-month period ended 30 June 2007 (2006: Nil).

By Order of the Board
Wang HaiBo
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. Jiang Guo Xing (*Non-executive Director*)
Mr. Zhou Jie (*Non-executive Director*)
Mr. Guo Jun Yi (*Non-executive Director*)
Mr. Hao Hong Quan (*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
10 August 2007