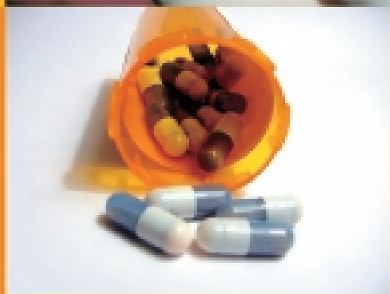
維奧生物科技控股有限公司

Vital BioTech Holdings Limited

(incorporated in the Cayman Islands with limited liability)

MEDIKO

Interim Report • 2006



Stock Code: 1164

CORPORATE INFORMATION

Directors
Executive Directors
Tao Lung *(Chairman)*
Huang Jianming *(Chief Executive Officer)*
Shen Songqing
Liu James Jin
Xu Xiaofan

Independent Non-executive Directors
Lui Tin Nang
Lee Kwong Yiu
Lo Wa Kei Roy

Qualified Accountant and Company Secretary
Leung Wai Pong *(CPA(Aust.), CPA)*

Audit Committee
Lui Tin Nang *(Chairman)*
Lee Kwong Yiu
Lo Wa Kei Roy

Registered Office
Century Yard, Cricket Square
Hutchins Drive, George Town
Grand Cayman, Cayman Islands
British West Indies

Head Office and Principal Place of Business In Hong Kong
Unit 7, 31st Floor
Tower 1, Lippo Centre
89 Queensway
Hong Kong

Company Website
www.vitalbiotech.com

Authorised Representatives
Tao Lung
Leung Wai Pong

Principal Bankers
The Hong Kong and Shanghai Banking Corporation Limited
The Agriculture Bank of China
Banco Delta Asia S.A.R.L.

Auditors
Ho and Ho & Company
Certified Public Accountants

Cayman Islands Principal Share Registrar and Transfer Office
Bank of Bermuda (Cayman) Limited
P.O. Box 513 G.T.
Strathvale House
North Church Street, George Town
Grand Cayman, Cayman Islands
British West Indies

Hong Kong Branch Share Registrar and Transfer Office
Union Registrars Limited
Room 311-312
Two Exchange Square
Central
Hong Kong

HIGHLIGHTS

	Six months ended 30 June (unaudited)	
	2006	2005
	HK$'000	*HK$'000*
Turnover	**215,958**	190,516
Profits attributable to equity holders of the Company	**13,723**	26,731
Basic earnings per share	**HK 0.89 cents**	HK 1.74 cents
Interim dividend per share:		
1st quarter dividend	**Nil**	HK 0.5 cents
2nd quarter dividend	**Nil**	HK 0.5 cents
Total dividends for 2 quarters	**Nil**	HK 1 cents

- Turnover of the Group was about HK$215 million, a growth of 13%;
- Profits attributable to equity holders of the Company decreased by 49% year-on-year to HK$13.7 million;
- Basic earnings per share was HK$0.89 cents;
- The Board would not recommend the payment of an interim dividend.

BUSINESS REVIEW

Results

I am pleased to announce the unaudited results of the Vital BioTech Holdings Limited ("Company") and its subsidiaries (collectively the "Group") for the six months ended 30 June 2006 ("period under review" or "reporting period"). During the period under review, the consolidated sales turnover of the Group grew by 13% year-on-year to approximately HK$215.9 million (2005: HK$190.5 million).

During the period under review, the profits attributable to equity holders decreased by HK$13 million year-on-year basis to approximately HK$13.7 million (2005: HK$26.7 million). Despite a slightly increase of sales turnover, the selling and distribution expenses have increased by 14%. In addition, the Group has sold its office premises in Hong Kong and has recorded a profit of about HK$5 million which was classified under other operating income in the last corresponding period. In the period under review, we did not record sales of property of any kind. These affected the net profit performance.

During the reporting period, the Group has purchased a property located at commercial area in Admiralty at a total consideration approximately of HK$13.5 million. The consideration will be funded by the Group's internal resources and banking financing which was in the proportion of approximately 50% and 50% respectively. The property is acquired by the Group for its own use as the property is located in prime commercial district with convenience transportation network to facilitate most of the employees and shareholders of the Group. The Group will use the property to facilitate the management and administration function of the Group as well as to enhance the Group's business presence in Hong Kong.

Product Sales

Our flagship product "Osteoform" has maintained a steady sales growth. Its sales turnover reached approximately HK$200 million which represented a growth rate of 17% year-on-year basis when compared to HK$171 million for the last corresponding period. Osteoform has contributed and maintained at about 90% of the Group's sales turnover.

For the other house products: Depile Capsule, Fenofibrate Tablet, Aceclofenac Tablet and 2 antibiotic products developed by the Group, the sales turnover was around HK$4.9 million. It is slightly increased by HK$1.3 million when compared to HK$3.6 million for the last corresponding period of 2005.

"Opin" an interferon suppository for treatment of chronic viral cervicitis and vaginitis:
Its production and sales have been relaunched at the end of 2005 and it has contributed a sales turnover of approximately HK$0.45 million in the first half year of 2006.

For the overseas agency products, the Group is trading products of Madaus GmbH, Germany. The Group is reformulating its strategies in line with the recent major reform in the pharmaceutical market, only HK$9 million sales are recorded.

Other products

"Vital Fast™" is a slow release flu medication formulated with loratadine, pseudoephedrine sulphate and paracetamol. "Vital Fast™" has been granted a new drug certificate and production permit by the State Food and Drug Administration ("SFDA") in 2005. It was launched into the market in the beginning of 2006 and sales of HK$0.12 million have been recorded in the first half year of 2006.

Selling and Distribution Expenses

The selling and distribution expenses for the period under review were approximately HK$84 million, increased by 14% when compared to HK$73.7 million year-on-year. As compared to HK$101 million in the second half of 2005, it has decreased 17%. In respect of selling expenses to sales turnover ratio, it has maintained at 39% for this 6-month period. Whereas the ratios for the last corresponding period, second half of last year and for the last whole year were also 39%. The Group is quite concerned about promoting the products and, on the other hand, monitoring cautiously the selling expenses.

The production base in Chengdu, Sichuan Province, China

During the reporting period, production of the raw material for "Aotianping" ("Miglitol Tablets") from the No. 2 compound workshop has been qualified and market trial has begun. Currently, Sichuan Weiao has obtained new drug certificate and the production permit of raw material and tablet of loratadine whereas the GMP certificate for loratadine will be applied. In June 2006, Sichuan Weiao has also obtained production permit for raw material of Diammonium Glycyrrhizinate issued by the SFDA and is ready to apply for the GMP certificate.

The production base in Wuhan, Hubei Province, China

In the 2nd quarter of year 2006, production still runs on intermittence and intensive basis in Wuhan factory. The factory is responsible for the production of its house products, "Opin" and "Vital Fast™"; and the processing and repackaging of "Uralyt-U", a product from Madaus.

四川維奧三江制藥有限公司 (Sichuan Vital San Jiang Pharmaceuticals Co Ltd)

Diammonium Glycyrrhizinate for injection use has already been granted the new drug certificate and registration permit. Other products are still undergoing declaration and expected to be approved by the State by the end of year. Currently, all components are being assembled and testing begins. 90% of the construction project has been completed as of June 2006.

BUSINESS OUTLOOK

During the reporting period, the Company has purchased a property for industrial use at a consideration approximately of HK$13.4 million. The property will be rebuilt as a GMP compliant manufacturing plant, to facilitate our expansion into overseas market, to carry out business development and improving productivity. The whole transaction has been completed on this report date. One of the reasons of setting up the GMP manufacturing plant in Hong Kong is that the presence of a manufacturing arm in Hong Kong will enable the Group to expose itself more extensively to the markets outside the PRC. Co-operating with international pharmaceutical companies enables the Group to become a platform for importing overseas products. The Board of Director believes that the operating prospect of the Group, which is going to diversify to overseas markets, is promising.

Risk of over-reliance on single flagship product, Osteoform, has not been eliminated by the introduction of new products into the market since 2004. The Group intends to allocate more resources on marketing new products and other product lines in the second half of the year. Sales are expected to be generated from these new product development and thus improving profit.

After undergoing risk assessment and evaluation on its R&D activities, the Group has form alliance with other R&D institutes to further its product development. Since the Group has reformulated its R&D strategies, the Group has disposed its property and fixed asset in Melbourne, Australia. The whole transaction has been completed on this report date.

FINANCIAL REVIEW

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND CURRENCY POLICY

As of 30 June 2006, the Company has in issue about 1.54 billion ordinary shares.

As of 30 June 2006, market capitalization of the Company was approximately HK$168 million (31 December 2005: approximately HK$266 million).

As of 30 June 2006, the Group had bank loans of approximately HK$153 million (31 December 2005: approximately HK$151 million), comprising long-term portion of HK$52 million (31 December 2005: HK$51 million), short-term portion of HK$101 million (31 December 2005: HK$100 million). Cash on hand amounted to approximately HK$42 million (31 December 2005: HK$60 million).

At present, the Group has obtained total banking facilities of approximately HK$190 million from banks. Unutilised banking facilities were approximately HK$40 million. The cost of financing was around 7% per annum.

The sales receipts of the Group were denominated as to 95% in RMB and 5% in other currency. Purchases were denominated as to 73% in USD, 1% in HKD and 26% in RMB. During the reporting period, the Group has not entered into any forward contracts to hedge against foreign currency fluctuation, as the Group's exposure to foreign exchange risk is not significant.

Key financial figures and ratios

During the reporting period, major P&L ratios remained stable. As compared to the 12 months in 2005, improvements were shown in Profit attributable to equity holders/Turnover and EBITDA to Turnover ratios. The ratio of Selling and distribution expenses to Turnover still stayed at a relatively high level.

	6 months ended 30 June		12 months
Profit and loss item:	**2006**	2005	Year 2005
Turnover (HK$' million)	**215.9**	190.5	446.4
Gross profit margin	**68%**	70%	66%
Selling and distribution expenses (HK$' million)	**84**	73.7	174.6
Gross profit margin after selling and distribution expense	**28.9%**	31.5%	27%
Profit attributable to equity holders/Turnover	**6%**	14%	5%
EBITDA (HK$' million)	**35**	44.3	56.2
EBITDA/Turnover	**16.2%**	23.3%	12.6%

Balance sheet item:

At of 30 June 2006, gross debt equity ratio (Borrowings/Net tangible assets) was 41.5%. The average trade receivable turnover day and inventory (excluding goods in transit) average turnover day were longer than that at 31 December 2005, which indicates a need for trade receivable and inventory management improvement.

At of 30 June 2006, the Group has received from its customers certain bills of exchange endorsed by banks amounted in total to HK$32 million. If those bills of exchange were discounted to banks, the proceeds could be used to repay short term bank loans, lower the debt equity ratio or improve the cash positions.

Balance sheet item:	**As at 30 June 2006 *HK$ million***	As at 31 December 2005 *HK$ million*
Short-term bank loans	**101.1**	100.2
Long-term bank loans	**52.3**	50.6
Bank balances and cash	**41.6**	60.2
Bank loans net of cash on hand	**111.8**	90.6
Net tangible assets	**373.1**	357.1
Debt equity ratio (gross)	**41.5%**	42.7%
Debt equity ratio (net)	**30.3%**	25.3%
Average trade receivable turnover day	**146 days**	123 days
Average inventory turnover day	**144 days**	101 days

As of 30 June 2006, the Group had HK$2.6 million bank balances and cash, HK$4.4 million available-for-sale investments and HK$60 million property, plant and equipment pledged as collateral to banks.

During the reporting period, the sales of two agency products are unable to achieve our expected growth, and soon be reaching the expiry date. The Group, therefore, has recognised slow-moving inventory impairment amounted of approximately HK$1.2 million.

EMPLOYEE INFORMATION

As at 30 June 2006, the Group had 395 employees, comprising 11 in research and development, 220 in production, 5 in sales, and 159 in general administration and finance. 367 of these employees were located in China, and 28 in Hong Kong and Macau.

The policy of employee remuneration, bonus, share option scheme and training are commensurate with performance and comparable to market rate. Total staff costs (including director emolument and share base payment) for the reporting period amounted to approximately HK$16 million, in which approximately HK$0.5 million was compensation payment to redundant staff.

DISCLOSURE OF INTERESTS

(a) The Directors' and chief executives' interests and short position in the shares, underlying shares and debentures of the Company or any associated corporation

As at 30 June 2006, the interests and short positions of the Directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities *(Note 1)*	Percentage shareholding in the same class of securities
Mr. Tao Lung	Company	Beneficial owner	110,891,648 Shares (L)	7.19
	Company	Interest of a controlled corporation *(Note 2)*	522,526,940 Shares (L)	33.89
	Perfect Develop Holding Inc. ("Perfect Develop")	Beneficial owner	4,000 ordinary shares of US$0.01 each (L)	58.28
Mr. Liu James Jin	Company	Beneficial owner	14,630,400 Shares (L)	0.95
Mr. Shen Songqing	Company	Beneficial owner	12,160,000 Shares (L)	0.79

Notes:

1. The letter "L" stands for the Director's long position in such securities.

2. The interests in the shares are held by Perfect Develop. The issued share capital of Perfect Develop is beneficially owned as to 58.28% by Mr. Tao Lung, 25.51% by Mr. Huang Jianming and 11.05% by Mr. Liu James Jin. Accordingly, Mr. Tao Lung is deemed to be interested in all the Shares which Perfect Develop is interested by virtue of the SFO.

Save as disclosed above, as at 30 June 2006, none of the Directors and the chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' interest and short positions in the shares, underlying shares of the Company

As at 30 June 2006, according to the register of members kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons/entities, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly, or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Name	Company/ Name of Group member	Capacity	Number of shares *(Note 1)*	Approximate percentage of shareholding
Perfect Develop *(Note 2)*	Company	Beneficial owner	522,526,940 Shares (L)	33.89

Notes:

1. The letter "L" denotes the person's/entity's long position in the shares.

2. The issued share capital of Perfect Develop is beneficially owned as to 58.28% by Mr. Tao Lung, 25.51% by Mr. Huang Jianming and 11.05% by Mr. Liu James Jin. Mr. Tao Lung, Mr. Huang Jianming and Mr. Liu James Jin are executive Directors of the Company, whose interests in the Company are set out in paragraph (a) above in this report.

Save as disclosed above, the Directors are not aware of any person as at 30 June 2006 who had an interest or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or was directly or indirectly, interested in 10% or more of the nominal value of any class of shares capital carrying rights to vote in all circumstances at general meetings of the Company and any other member of the Group.

SHARE OPTION SCHEME

Details of the share option scheme and movements are set out in note 14 to the accounts.

OTHER SHARE OPTIONS

On 22 September 2003, the Group entered into an agreement to acquire the remaining 15% minority interest of the subsidiary, Vital Pharmaceuticals (Sichuan) Co Ltd. The remaining monetary considerations of the acquisition amounting to approximately HK$28.3 million representing 60% of the total considerations will be settled at the sole option of the Company, either in cash or in new ordinary share of the Company. On or before the following dates, the Company may opt to pay cash or to issue new ordinary shares by serving a notice to the seller (the "Notice"):

- 22 March 2004: HK$9,433,962;
- 22 September 2004: HK$9,433,962; and
- 22 March 2005: HK$9,433,962.

The number of option share is calculated at a price that is equal to the higher of the average 30 day closing price of the Company's share on the Stock Exchange immediate prior to the date of the Notice and HK$0.46 per share. The maximum number of option share to be issued if based on HK$0.46 per share will be 61,525,839. A conditional approval has been obtained from the Stock Exchange for the listing of the option shares.

During the year ended 31 December 2004, the Company issued 20,508,613 new ordinary shares and paid 9,433,962 monetary considerations to the seller. During the year ended 31 December 2005, the Company issued the 20,508,613 new ordinary shares for the final payment. In 2005, all options in this phase were fully exercised.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

REVIEW OF INTERIM RESULTS

The unaudited interim financial report of the Group for the six months ended 30 June 2006 has been reviewed by the Company audit committee and auditors, Ho and Ho & Company.

AUDIT COMMITTEE

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of both the external and internal audit, internal controls and risk evaluation.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters with the management. The Group's financial statements for the six months ended 30 June 2006 have been reviewed and adopted by the Audit Committee, who is of the opinion that such statements comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made. The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Lui Tin Nang (Audit Committee chairman), Mr. Lee Kwong Yiu and Mr. Lo Wa Kei Roy.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive directors, the chairman and an executive director of the Company, is responsible for reviewing and evaluating the remuneration packages of the executive directors and senior management and making recommendations to the board of directors from time to time.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the principle standards of securities transactions for directors of the Company. All directors have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code during the period.

CORPORATE GOVERNANCE

The Company is in compliance with all the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules throughout the six months period ended 30 June 2006.

The Board as at the date of this report comprises five executive directors: Mr. Tao Lung, Mr. Huang Jianming, Mr. Xu Xiaofan, Mr. Liu James Jin, Mr. Shen Songqing and three independent non-executive directors: Mr. Lui Tin Nang, Mr. Lee Kwong Yiu and Mr. Lo Wa Kei Roy.

On behalf of the Board
TAO Lung
Chairman

Hong Kong, 15 September 2006

INDEPENDENT REVIEW REPORT

HO & HO COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

HO AND HO & COMPANY 何錫麟會計師行
Suites 09-18, 20/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.
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To the board of directors of
Vital BioTech Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report of the Company and its subsidiaries (the "Group") for the six months period ended 30 June 2006 as set out on pages 13 to 28.

Respective responsibilities of directors and auditors

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

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

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

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Ho and Ho & Company
Certified Public Accountants

Hong Kong
15 September 2006

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

	Notes	Six months ended 30 June **2006** **HK$'000** **(Unaudited)**	2005 HK$'000 (Unaudited)
Turnover	2	**215,958**	190,516
Cost of sales		**(69,549)**	(56,917)
Gross profit		**146,409**	133,599
Other operating income		**1,247**	8,503
Selling and distribution expenses		**(83,959)**	(73,662)
Administrative expenses		**(38,728)**	(36,164)
Finance costs		**(6,468)**	(4,794)
Share of result of an associate		**–**	(76)
Profit before taxation	3	**18,501**	27,406
Taxation	4	**(4,984)**	(1,152)
Profit for the period		**13,517**	26,254
Attributable to:			
Equity holders of the Company		**13,723**	26,731
Minority interests		**(206)**	(477)
		13,517	26,254
Interim dividends	5	**–**	15,417
Earnings per share	6		
Basic		**HK0.89 cents**	HK1.74 cents
Diluted		**HK0.89 cents**	HK1.74 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006

	Notes	30/6/2006 HK$'000 (Unaudited)	31/12/2005 HK$'000 (Audited)
Non-current assets			
Intangible assets		**7,324**	8,333
Deposit paid for acquisition of a property	7	**650**	–
Property, plant and equipment	8	**207,065**	200,812
Prepaid lease payments on land use rights		**31,122**	31,415
Available-for-sale investments	9	**6,560**	6,560
Goodwill		**30,396**	30,396
		283,117	277,516
Current assets			
Inventories		**62,489**	56,184
Trade and other receivables	10	**218,128**	211,310
Prepaid lease payments on land use rights		**595**	595
Value added tax receivable		**2,314**	–
Tax recoverable		**6,031**	6,031
Available-for-sale investments	9	**714**	1,494
Financial assets at fair value through profit or loss	11	**409**	–
Bank balances and cash			
– pledged		**2,634**	8,133
– unpledged		**38,967**	52,128
		332,281	335,875
Assets classified as held for sale		**10,581**	10,581
		342,862	346,456
Current liabilities			
Trade and other payables	12	**57,092**	65,919
Value added tax payable		**–**	3,438
Tax payable		**2,574**	2,914
Obligations under finance leases			
– due within one year		**286**	259
Bank borrowings – due within one year		**101,090**	100,292
		161,042	172,822

	Notes	**30/6/2006** ***HK$'000*** **(Unaudited)**	31/12/2005 *HK$'000* (Audited)
Net current assets		**181,820**	173,634
Total assets less current liabilities		**464,937**	451,150
Representing:			
Share capital	*13*	**15,417**	15,417
Reserves		**395,381**	380,483
Equity attributable to equity holders of the Company		**410,798**	395,900
Minority interests		**665**	3,287
		411,463	399,187
Non-current liabilities			
Obligations under finance leases – due after one year		**1,152**	1,285
Bank borrowings – due after one year		**52,322**	50,678
		53,474	51,963
		464,937	451,150

The interim financial report on pages 18 to 28 were approved and authorised for issue by the Board of Directors on 15 September 2006 and are signed on its behalf by:

TAO Lung	**HUANG Jianming**
Director	*Director*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Attributable to equity holders of the Company										
	Share capital	**Share premium**	**Exchange translation reserve**	**Share options reserve**	**Reserve fund**	**Enterprise develop-ment fund**	**Other reserve**	**Retained earnings**	**Total**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Audited)											
At 1 January 2005	15,212	239,085	(464)	–	15,833	616	–	103,168	373,450	12,274	385,724
Profit (loss) for the period	–	–	–	–	–	–	–	26,731	26,731	(477)	26,254
2005 first quarter dividend paid	–	–	–	–	–	–	–	(7,709)	(7,709)	–	(7,709)
Shares allotted and issued for settlement of final consideration in respect of acquisition of a subsidiary	205	9,229	–	–	–	–	–	–	9,434	–	9,434
At 30 June 2005	15,417	248,314	(464)	–	15,833	616	–	122,190	401,906	11,797	413,703
Loss for the period	–	–	–	–	–	–	–	(5,082)	(5,082)	(229)	(5,311)
2005 second quarter dividend paid	–	–	–	–	–	–	–	(7,708)	(7,708)	–	(7,708)
Loss on fair value changes of available-for-sale investments	–	–	–	–	–	–	(426)	–	(426)	–	(426)
Exchange difference arising on translation of overseas operation	–	–	3,685	–	–	–	–	–	3,685	–	3,685
Recognition of equity settled share based payment	–	–	–	3,525	–	–	–	–	3,525	–	3,525
Deemed gain on acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	(152)	(152)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(8,332)	(8,332)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	203	203
At 31 December 2005	15,417	248,314	3,221	3,525	15,833	616	(426)	109,400	395,900	3,287	399,187
(Unaudited)											
Profit (loss) for the period	–	–	–	–	–	–	–	13,723	13,723	(206)	13,517
Recognition of equity settled share based payment	–	–	–	1,175	–	–	–	–	1,175	–	1,175
Deemed loss on acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	6	6
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(194)	(194)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(2,228)	(2,228)
At 30 June 2006	**15,417**	**248,314**	**3,221**	**4,700**	**15,833**	**616**	**(426)**	**123,123**	**410,798**	**665**	**411,463**

Note: Subsidiaries in the People's Republic of China have appropriated 10% of the profit to reserve fund. The reserve fund is required to be retained in the accounts of the subsidiaries for specific purposes.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	**3,526**	(48,257)
Net cash used in investing activities	**(12,555)**	(27,180)
Net cash (used in) from financing activities	**(4,132)**	34,965
Net decrease in cash and cash equivalents	**(13,161)**	(40,472)
Cash and cash equivalents at 1 January	**52,128**	92,229
Cash and cash equivalents at 30 June	**38,967**	51,757

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2006

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") No.34 "Interim Financial Reporting" of Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

In the current period, the Group had applied for the first time, a number of new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting period as prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial positions of the Group:

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – Int-7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – Int-8	Scope of HKFRS 2[3]
HK(IFRIC) – Int-9	Reassessment of embedded derivatives[4]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 March 2006.
[3] Effective for annual periods beginning on or after 1 May 2006.
[4] Effective for annual periods beginning on or after 1 June 2006.

2. TURNOVER

The Group is principally engaged in research and development, selling and manufacturing of pharmaceutical products. Turnover represents invoiced value of sales, net of returns, discounts allowed or sales taxes where applicable and subcontract manufacturing income.

The Group's turnover, expenses, assets, liabilities and capital expenditure are primarily attributable to the selling and manufacturing of pharmaceutical products. The Group's principal market is in the People's Republic of China (the "PRC").

Neither the business segments of the subcontract manufacturing business nor the geographical segment in other country are of a sufficient size to be reported separately.

3. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of intangible assets		
– patents	**–**	143
– development costs	**1,009**	344
Amortisation of prepaid lease payments on land use rights	**296**	194
Depreciation of property, plant and equipment	**8,635**	11,352
Loss (gain) on disposal of property, plant and equipment	**1,626**	(5,427)
Research and development costs	**756**	897
Write down of inventories	**1,219**	–
Exchange (gain) loss	**(261)**	584
Gain on disposal of intangible assets – patents	**(585)**	–
Reversal of allowance for bad and doubtful debts	**(104)**	(222)
Government subsidies income	**–**	(3,322)

4. TAXATION

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Overseas income tax		
– current period charge	**4,984**	3,035
– over-provision in prior years	**–**	(1,883)
	4,984	1,152

Hong Kong Profits Tax has not been provided for in the condensed consolidated financial statements as there was no estimated assessable profits derived from both periods.

The Hong Kong Profits Tax amounting in total to HK$6,031,000 of a subsidiary of the Company for the financial years 2000 and 2001 are under inquiries by the Hong Kong Inland Revenue Department ("IRD"). The subsidiary had lodged an objection against the assessments and the IRD has held over the payment of the profits tax and the equal amount of Tax Reserve Certificates was purchased.

The Group had received an advice from a tax expert that, the profits of that subsidiary for the financial years 2000 and 2001 were neither arisen in nor derived from Hong Kong. The directors of the Company believes that the subsidiary has a reasonable likelihood of success in defending its position that the income derived is non-Hong Kong sourced and therefore, are not subject to Hong Kong Profits Tax. Accordingly, no provision for profits tax is required.

In accordance with the relevant regulations, approvals from relevant local tax bureaus and Foreign Enterprise Income Tax Law in the PRC, certain subsidiaries operating in the PRC are entitled to exemption from income tax in the first two years from the first profit-making year, 50% reduction of income tax in the subsequent three years and thereafter, preferential treatments which are subject to the relevant law and regulations. One subsidiary was taxed at 10.5% (2005: 7.5%). Another subsidiary has incurred a loss and no income tax is payable for the period (2005: Nil). Other subsidiaries were either in loss-making position for the current and the previous period or had sufficient tax losses brought forward from previous year to offset the estimated assessable income for the period and accordingly did not have any assessable income.

The subsidiary operating in Macao is exempted from income tax in Macao.

No Australian income tax has been provided as the subsidiaries operating in Australia had no estimated assessable profits for the current and previous periods.

5. INTERIM DIVIDENDS

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividend for the first quarter, paid of HK0.5 cents per ordinary share (Six months ended 30 June 2006: Nil)	**–**	7,709
Interim dividend for the second quarter, paid of HK0.5 cents per ordinary share (Six months ended 30 June 2006: Nil)	**–**	7,708
	–	15,417

6. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to equity holders of the Company of HK$13,723,000 (2005: HK$26,731,000).

The basic earnings per share is based on the weighted average number of 1,541,706,993 (2005: 1,538,987,619) ordinary shares in issue during the period.

The diluted earnings per share was same as the basic earnings per share because the exercise price of the Company's share options was higher than the average market price for shares for both periods ended 30 June 2006 and 30 June 2005.

7. DEPOSIT PAID FOR ACQUISITION OF A PROPERTY

On 29 June 2006, the Group entered into a provisional sales and purchases agreement (the "Agreement") with an independent third party for the acquisition of a property situated in Hong Kong at a consideration of HK$13,338,000. An initial deposit amounted to HK$650,000 was paid upon the signing of the Agreement.

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$19 million (2005: HK$22 million) on additions to property, plant and equipment to upgrade its manufacturing capacities, construct new manufacturing plant and acquire new office.

9. AVAILABLE-FOR-SALE INVESTMENTS

	30/6/2006 ***HK$'000*** **(Unaudited)**	31/12/2005 *HK$'000* (Audited)
Unlisted investments in guaranteed funds, at fair value	**3,696**	3,696
Unlisted investments in certificates of deposits, at fair value	**714**	1,494
Unlisted equity securities, at cost *(notes a and b)*	**17,234**	17,234
Less: Impairment loss recognised *(note b)*	**(14,370)**	(14,370)
	7,274	8,054

Analysed for reporting purposes as:

	30/6/2006 ***HK$'000*** **(Unaudited)**	31/12/2005 *HK$'000* (Audited)
Current assets	**714**	1,494
Non-current assets	**6,560**	6,560
	7,274	8,054

Notes:

(a) The unlisted equity securities represent investments in private entities incorporated in the PRC and Malaysia.

(b) The above unlisted investments are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

10. TRADE AND OTHER RECEIVABLES

	30/6/2006	31/12/2005
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade and bills receivables *(note a)*	**166,578**	180,778
Prepayments and deposits	**23,035**	3,518
Payments for pharmaceutical projects *(note b)*	**20,987**	20,615
Other receivables	**8,996**	7,971
	219,596	212,882
Less: Allowance for bad and doubtful debts	**(1,468)**	(1,572)
	218,128	211,310

Notes:

(a) The Group's sales are on open account terms. The Group normally grants to its customers credit periods ranging from 90 days to 180 days which are subject to periodic review by management.

At the balance sheet date, the aging analysis of the trade and bills receivables net of allowance for bad and doubtful debts was as follows:

	30/6/2006	31/12/2005
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**47,998**	63,933
31 – 60 days	**42,992**	43,067
61 – 90 days	**47,349**	55,133
Over 90 days	**26,771**	17,073
	165,110	179,206

(b) Amounts paid for the development of technology and pharmaceutical products are deferred prior to completion of the projects and included in payments for pharmaceutical projects. On completion, these amounts are transferred to development costs in accordance with the Group's accounting policy.

The fair value of the Group's trade and other receivables at 30 June 2006 was approximated to the corresponding carrying amount.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30/6/2006	31/12/2005
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Unlisted investments in guaranteed funds, at fair value	**409**	–

12. TRADE AND OTHER PAYABLES

At the balance sheet date, the aging analysis of the trade payables was as follows:

	30/6/2006	31/12/2005
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables		
Within 30 days	**2,524**	9,779
31 – 60 days	**11,586**	1,603
61 – 90 days	**857**	1,121
Over 90 days	**1,811**	15,889
	16,778	28,392
Accrued charges and other payables	**40,314**	37,527
	57,092	65,919

The fair value of the Group's trade and other payables at 30 June 2006 was approximated to the corresponding carrying amount.

13. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary share of HK$0.01 each		
Authorised:		
At 1 January 2005, 31 December 2005 and 30 June 2006	50,000,000,000	500,000
Issued and fully paid:		
At 1 January 2005	1,521,198,380	15,212
Issue of shares for settlement of final consideration in respect of acquisition of a subsidiary *(note a)*	20,508,613	205
At 31 December 2005 and 30 June 2006	1,541,706,993	15,417

Notes:

(a) On 25 January 2005, the Company allotted and issued 20,508,613 ordinary shares of HK$0.01 each at the base price of HK$0.46 per share to settle the final phase of the consideration for the acquisition of 15% equity interest in a subsidiary.

(b) All the new shares issued during the year ended 31 December 2005 rank pari passu with the existing shares in all respects.

14. SHARE OPTION SCHEME

A share option scheme was adopted on 26 January 2002 ("2002 Share Option Scheme"). The 2002 Share Option Scheme was replaced by a new share option scheme adopted by the shareholders on 23 July 2003 ("2003 Share Option Scheme").

The Board of Directors of the Company may, at their discretion, grant option to the eligible participant including any employees, any non-executive directors, directors, suppliers, customers, advisors, consultants, joint venture partners and any shareholders of any members of the Group or any invested entities or any holders of any securities issued by any members of the Group or any invested entities. The maximum number of shares of the Company which may be issued upon exercise of all options granted under its share option scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the share option scheme and any other share option scheme of the Group must not in aggregate exceed 10 per cent of the shares in issue as at the date of passing the relevant resolution adopting the Scheme unless it is approved by shareholders in a general meeting of the Company. The maximum number of shares issuable under the options to each eligible participant in any 12-month period is limited to 1% of the shares in issue unless it is approved by shareholder in a general meeting of the Company. Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors. (excluding any independent non-executive director who is the grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

At 30 June 2006, the number of shares of the Company in respect of which options had remained outstanding under the 2003 Share Option Scheme of the Company was 100,900,000, representing 6.5% of the shares of the Company in issue at that date.

The offer of a grant of share options may be accepted within 21 business days from the date of the offer of grant of the option. The consideration for a grant of options of the Company is HK$1.00. The exercise period of the share options granted is determined by the Board of Directors.

No consideration was received during the period from eligible participants for taking up the options granted during the period (31 December 2005: HK$22).

The exercise price of the share options is determined by the Board of Directors providing that the exercise price of the share options shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The 2003 Share Option Scheme will remain in force for a period of ten years commencing on 23 July 2003.

First phase:
On 21 June 2002, options were granted to subscribe for an aggregate of 30,000,000 shares of the Company, with an exercise price calculated in accordance with the provisions of the 2002 Share Option Scheme at HK$0.39 per share. The closing price of the Company on the day immediately preceding the offer of grant was HK$0.37 per share. Those who were granted with the options can exercise their rights in multiple periods starting from 16 August 2002 to 6 February 2012 as follows:

From 16 August 2002 to 6 February 2012 – approximately 6,850,000 shares
From 1 January 2003 to 6 February 2012 – approximately 8,280,000 shares
From 1 January 2004 to 6 February 2012 – approximately 6,510,000 shares
From 1 January 2005 to 6 February 2012 – approximately 8,360,000 shares

Second phase:
On 28 February 2003, options were granted to certain directors of certain subsidiaries of the Group to subscribe for an aggregate of 19,800,000 shares of the Company, with an exercise price calculated in accordance with the provisions of the 2002 Share Option Scheme at HK$0.24 per share. The closing price of the Company on the day immediately preceding the offer of grant was HK$0.21 per share. Those who were granted with the options can exercise their rights from 1 March 2003 to any time before expiry date on 6 February 2012.

Third phase:
On 29 September 2003, options were granted for an aggregate of 30,000,000 shares of the Company, with an exercise price calculated in accordance with the provisions of the 2003 Share Option Scheme at HK$0.51 per share. The closing price of the Company on the day immediately preceding the offer of grant was HK$0.50 per share. Those who were granted with the options can exercise their rights in multiple periods starting from 2 January 2004 to 6 February 2012 as follows:

From 2 January 2004 to 6 February 2012 – approximately 8,990,000 shares
From 2 July 2004 to 6 February 2012 – approximately 21,010,000 shares

Fourth phase:
On 12 September 2005, options were granted for an aggregate of 69,800,000 shares of the Company, with an exercise price calculated in accordance with the provisions of the 2003 Share Option Scheme at HK$0.23 per share. The closing price of the Company on the day immediately preceding the offer of grant was HK$0.23 per share. Those who were granted with the options can exercise their rights in two periods starting from 1 January 2006 to 6 February 2012 as follows:

From 1 January 2006 to 6 February 2012 – approximately 34,900,000 shares
From 1 January 2007 to 6 February 2012 – approximately 34,900,000 shares

Movements of the share options during the year/period are set out below:

	Date of grant	Outstanding at 1 January 2005	Granted during the year	Cancelled during the year	Outstanding at 31 December 2005 and 30 June 2006	Exercise price per share *HK$*
Directors:						
Tao Lung	12 September 2005	–	15,000,000	–	15,000,000	0.23
Xu Xiaofan	12 September 2005	–	15,000,000	–	15,000,000	0.23
Jin Wei (Resigned as director on 18 January 2006)	12 September 2005	–	5,000,000	–	5,000,000	0.23
Independent non-executive directors:						
Lui Tin Nang	12 September 2005	–	1,500,000	–	1,500,000	0.23
Lee Kwong Yiu	12 September 2005	–	1,500,000	–	1,500,000	0.23
Lo Wa Kei Roy	12 September 2005	–	1,500,000	–	1,500,000	0.23
Employees	21 June 2002	18,360,000	–	(15,970,000)	2,390,000	0.39
	29 September 2003	24,820,000	–	(5,260,000)	19,560,000	0.51
	12 September 2005	–	12,300,000	–	12,300,000	0.23
Connected person	12 September 2005	–	18,000,000	–	18,000,000	0.23
Other eligible participants	21 June 2002	8,650,000	–	–	8,650,000	0.39
	29 September 2003	500,000	–	–	500,000	0.51
		52,330,000	69,800,000	(21,230,000)	100,900,000	
Exercisable:						
At the year ended 31 December 2005					31,100,000	
At the period ended 30 June 2006					66,000,000	

During the year ended 31 December 2005, options were granted on 12 September 2005. The estimated fair value of the options granted on is approximately HK$5,875,000.

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

Share price on grant date	HK$0.23
Exercise price	HK$0.23
Expected volatility	34.35%
Expected life	6.5 years
Risk-free rate	3.28%
Expected dividend yield	8.7%

Expected volatility was determined using the historical volatility of the Company's share price over the previous 1 year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects on non transferability, exercise restrictions and behavioural considerations.

The risk-free interest rate is using the average Hong Kong Exchange Fund Notes for the past 2 years.

The Group recognised the total expense of approximately HK$1,175,000 for the period ended 30 June 2006 (31 December 2005: HK$3,525,000) in relation to share options granted by the Company.

15. DISPOSAL OF A SUBSIDIARY

Pursuant to a directors' resolution of Sino Metro Development Limited ("Sino Metro") passed on 5 April 2006 regarding the cancellation agreement dated 6 April 2006 which entered into between the Company, a non-wholly owned subsidiary of the Company, Sino Metro, and the minority shareholder of Sino Metro. Sino Metro has forfeited the shares held by the Company and refunded a sum of HK$3,000,000 to the Company. Upon the forfeiture of the shares by Sino Metro, the Company has deemed disposal of the interest in Sino Metro. The net assets of Sino Metro at the date of disposal were as follows:

	30/6/2006 ***HK$'000***
Net assets disposed of	
Plant and equipment	**2**
Bank balances	**5,150**
Minority interest	**(2,228)**
Net assets	**2,924**
Gain on disposal	**76**
Total refund	**3,000**
Satisfied by:	
Cash	**3,000**
Net cash outflow arising on disposal:	
Cash refund	**3,000**
Bank balances disposed of	**(5,150)**
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	**(2,150)**

The subsidiary disposed during the period ended 30 June 2006 had no significant impact on the turnover and results of the Group.

16. RELATED PARTY TRANSACTIONS

(a) A subsidiary of the Group purchased raw materials from Pharmco International, Inc. ("Pharmco") amounted to approximately HK$45,359,000 during the six months ended 30 June 2006 (six months ended 30 June 2005: HK$40,837,000), a company which is wholly owned by the minority shareholders of another subsidiary, at prices and terms as set out in the agreement entered into between the subsidiary and Pharmco.

(b) Pursuant to a trademark licence agreement dated 14 August 2002 entered into between Beshabar (Macao Commercial Offshore) Ltd. ("Beshabar (Macao)"), a wholly-owned subsidiary of the Company, and Maxsun International Limited ("Maxsun"), another 51% owned subsidiary of the Company, Maxsun granted a licence to Beshabar (Macao) to use its trademark of Osteoform for twenty years in certain territories free of charge.

(c) A tax indemnity dated 30 January 2002 were entered into by the controlling shareholders of the Company, the Company and its subsidiaries that the controlling shareholders provide indemnities on a joint and several basis in respect of, among other matters, taxation which might be payable by any member of the Group at that time in respect of any income, profits or gains earned, accrued or received on or before 7 February 2002.

17. COMMITMENTS

(a) Capital commitments for the acquisition of property, plant and equipment

	30/6/2006	31/12/2005
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Authorised but not contracted for	16,075	–
Contracted but not provided for	25,465	15,275
	41,540	15,275

(b) Commitments for the development of new products and/or technologies

	30/6/2006	31/12/2005
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for	10,416	12,175

18. PLEDGE OF ASSETS

At 30 June 2006, certain assets of the Group were pledged to secure banking facilities granted to the Group as follows:

	30/6/2006	31/12/2005
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Property, plant and equipment	60,083	25,649
Available-for-sale investments	4,410	5,190
Bank balances and cash	2,634	8,133
	67,127	38,972

19. POST BALANCE SHEET EVENT

On 1 March 2006, the Group entered into an agreement with an independent third party to dispose of the property, plant and equipment in Melbourne, Australia at a consideration of A$1,800,000 (equivalent to HK$10,476,000) which close to the carrying value.

The property, plant and equipment were subsequently disposed of on 19 July 2006.