

NOTES TO CONDENSED ACCOUNTS

1. Organisation

Uni-Bio Science Group Limited was incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in bioscience related business (with focus on the research, development and commercialization of biopharmaceuticals through recombinant DNA and other technologies), and the manufacture and trading of packaging products, paper gifts items and promotional product.

2. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated financial statements are unaudited but have been reviewed by the Audit Committee of the Company.

The accounting policies adopted and the basis of preparation used in the preparation of the condensed consolidated financial statement of the Group are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006.

In addition, the Group has applied the following accounting policy for share options granted during the current interim period.

HKFRS 2 Share-based Payment

Equity-settled share-based payments are measured at fair value (excluding the effect on non market-based vesting conditions) at the date of grant. The fair value of services received determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the share options that will eventually vest and adjusted for the effect of non market-based vesting conditions, with a corresponding increase in share options reserve. At the time when the share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

2. Basis of preparation and principal accounting policies (continued)

HKAS 32 Financial Instruments: Disclosure and Presentation

HKAS 39 Financial Instruments: Recognition and Measurement

Convertible Bonds

HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately.

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently remeasured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA that are effective for the current accounting period. The adoption of the new standards, amendments and interpretations has no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC)-INT 8	Scope of HKFRS 2 ²
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives ³
HK(IFRIC)-INT 10	Interim financial reporting and impairment ⁴

1. Effective for accounting periods beginning on or after 1 January 2007
2. Effective for accounting periods beginning on or after 1 May 2006
3. Effective for accounting periods beginning on or after 1 June 2006
4. Effective for accounting periods beginning on or after 1 November 2006

HKFRS 5 Non-Current Assets Held For Sale And Discontinued Operations

Pursuant to HKFRS 5, New Master Group Limited, a subsidiary and intermediate holding company of the Group, which holds the entire packaging products, paper gift items and promotional products operations has been reclassified as disposal group held for sale from early October 2006. Such reclassification has no financial effect to this unaudited condensed consolidated financial statements.

3. Segment information

Primary reporting format – business segments

The Group is principally engaged in bioscience related business (with focus on the research, development and commercialization of biopharmaceuticals through recombinant DNA and other technologies), and the manufacture and trading of packaging products, paper gifts items and promotional products in Hong Kong and in the PRC.

An analysis of the Group's turnover and results for the period by business segments is as follows:

Unaudited Six months ended 30 September 2006					
	Distribution of Pharmaceutical Products HK\$'000	Packaging Products HK\$'000	Paper Gifts Items HK\$'000	Promotional Products HK\$'000	Group HK\$'000
Turnover	<u>55,347</u>	<u>17,675</u>	<u>2,474</u>	<u>15,200</u>	<u>90,696</u>
Segment results	<u>25,370</u>	<u>2,651</u>	<u>322</u>	<u>1,892</u>	<u>30,235</u>
Unallocated income					5,239
Unallocated costs					<u>(47,427)</u>
Operating loss					<u>(11,953)</u>
Finance costs					<u>(4,570)</u>
Loss before taxation					<u>(16,523)</u>
Taxation					<u>(7,373)</u>
Loss for the period					<u>(23,896)</u>

Unaudited Six months ended 30 September 2005				
	Packaging Products HK\$'000	Paper Gifts Items HK\$'000	Promotional Products HK\$'000	Group HK\$'000
Turnover	<u>26,557</u>	<u>10,668</u>	<u>21,381</u>	<u>58,606</u>
Segment results	<u>5,436</u>	<u>1,705</u>	<u>4,436</u>	11,577
Unallocated income				832
Unallocated costs				<u>(25,982)</u>
Gain on disposal of a subsidiary				<u>1,095</u>
Operating loss				<u>(12,478)</u>
Finance costs				<u>(2,220)</u>
Loss before taxation				<u>(14,698)</u>
Taxation				<u>-</u>
Loss for the period				<u>(14,698)</u>

3. Segment information *(continued)*

Primary reporting format – business segments *(continued)*

There are no sales or other transactions between the business segments. Unallocated costs represent corporate expenses.

Secondary reporting format – geographical segments

For the six months ended 30 September 2006 (unaudited)

	Turnover HK\$'000	Segment results HK\$'000	Total assets HK\$'000
Hong Kong	24,658	3,394	318,331
PRC	65,515	26,769	606,761
Other Countries	523	72	–
	<u>90,696</u>	<u>30,235</u>	<u>925,092</u>
Unallocated income		5,239	
Unallocated costs		<u>(47,427)</u>	
Operating loss		<u>(11,953)</u>	

For the six months ended 30 September 2005 (unaudited)

	Turnover HK\$'000	Segment results HK\$'000	Total assets HK\$'000
Hong Kong	16,015	2,884	45,044
PRC	41,760	8,574	133,409
Other Countries	831	119	–
	<u>58,606</u>	<u>11,577</u>	<u>178,453</u>
Unallocated income		832	
Unallocated costs		(25,982)	
Gain on disposal of a subsidiary		<u>1,095</u>	
Operating loss		<u>(12,478)</u>	

4. Operating loss

Operating loss is stated after the following:

	Unaudited Six months ended 30 September	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
After crediting:		
Gain on disposal of a subsidiary	-	1,095
After charging:		
Cost of inventories sold	60,461	47,029
Depreciation of fixed assets		
– owned assets	4,958	3,050
– assets held under finance leases	1,786	1,898
Provision for doubtful debts	-	8,774

5. Staff costs

	Unaudited Six months ended 30 September	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
Wages and salaries	5,111	2,608
Pension costs - defined contribution plans	123	93
	5,234	2,701

6. Income tax

The amount of taxation charged to the condensed profit and loss account represents:

	Unaudited Six months ended 30 September	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
Hong Kong profits tax	-	-
Taxation in other jurisdictions	7,373	-
Deferred taxation	-	-
	7,373	-

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the six months ended 30 September 2006. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

7. Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company for the period under review of approximately HK\$23,900,000 loss (for the six months ended 30 September 2005: HK\$14,700,000 loss) and on the weighted average number of 723,675,253 (2005: 214,145,199 (restated and adjusted to reflect the open offer in April 2006)) shares in issue during the period under review.

No diluted loss per share is presented as there are no dilutive potential ordinary shares during the period under review.

8. Goodwill

	Unaudited <i>HK\$'000</i>
Cost at 1 April 2006	–
Additions arising from acquisition of subsidiaries	381,966
	381,966
Cost at 30 September 2006	381,966

Goodwill arising from acquisition of Figures Up Trading Limited and its subsidiaries has been allocated to the biopharmaceutical operation, which is a separate segment, for impairment testing.

9. Property, plant and equipment

	Unaudited <i>HK\$'000</i>
Opening net book amount at 1 April 2006	63,882
Additions	18
Acquisition of a subsidiary	66,352
Depreciation charge (<i>note 4</i>)	(6,744)
	123,508
Closing net book amount at 30 September 2006	123,508

10. Trade receivables

The ageing analysis of trade receivables (net of provision for doubtful debts) is as follows:

	Unaudited 30 September 2006 <i>HK\$'000</i>	Audited 31 March 2006 <i>HK\$'000</i>
Within 30 days	8,496	11,961
31 – 60 days	3,459	2,894
61 – 90 days	2,121	949
Over 90 days	2,378	829
Over 180 days	6,934	–
	23,388	16,633

Customers are generally granted with credit terms of 30 to 90 days. Longer payment terms are granted to those customers which have good payment history and long-term business relationship with the Group.

11. Trade payables

The ageing analysis of trade payables is as follows:

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Current - 30 days	4,928	4,030
31 – 60 days	3,145	3,292
61 – 90 days	3,046	1,219
Over 90 days	13,705	9,063
	<u>24,824</u>	<u>17,604</u>

12. Borrowings

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Bank loans, secured	15,553	42,337
Other loans, secured	33,000	9,000
Obligations under finance leases	260	309
Trust receipt loans	3,266	2,438
	<u>52,079</u>	54,084
Less: Amounts due within one year shown under current liabilities	<u>(14,234)</u>	<u>(16,238)</u>
	<u>37,845</u>	<u>37,846</u>

At 30 September 2006, the Group's secured bank loans (excluding finance lease obligations) were repayable as follows:

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Within one year	7,917	4,700
More than one year but within two years	4,038	37,637
More than two years but within five years	3,598	–
More than five years	–	–
	<u>15,553</u>	<u>42,337</u>

13. Share capital

	Number of shares <i>'000</i>	Par value <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.1 each at 31 March 2006 and at 30 September 2006	2,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 April 2005 and 1 April 2006	180,000	18,000
Issue of Offer Shares (<i>Note (i)</i>)	360,000	36,000
Issue of shares as consideration for the acquisition of FUTL Group (<i>Note (ii)</i>)	220,000	22,000
Placing of new shares (<i>Note (iii)</i>)	108,000	10,800
Ordinary shares of HK\$0.10 each at 30 September 2006	868,000	86,800

Note:

- (i) Pursuant to an open offer on the basis of two offer shares for every one share at subscription price of HK\$0.50 per offer share ("Offer Share(s)"), which was completed on 6 April 2006, 360,000,000 Offer Shares of HK\$0.10 each, ranking pari passu in all respects with the then existing shares of the Company were issued.
- (ii) During the period, the Group acquired the entire issued share capital of Figures Up Trading Limited ("FUTL") at the consideration of HK\$472 million ("FUTL Acquisition"). Part of the consideration of the FUTL Acquisition was satisfied as to HK\$198 million by the allotment and issue of an aggregate of 220,000,000 shares at an issue price of HK\$0.90 each by the Company to the vendors of shares in FUTL.
- (iii) On 4 August 2006, the Group entered into a placing agreement with Chow Tai Fook Nominee Limited in relation to the placing of 108,000,000 new shares at the placing price of HK\$2.50 per share ("Placement"). The Placement was completed on 14 August 2006.

14. Convertible bonds

In June 2006, in order to finance part of the cash portion of the FUTL Acquisition referred to in note 13, the Group entered into a subscription agreement with Automatic Result Limited ("ARL") to issue a 3-year HK\$114 million zero coupon convertible bonds due 2009 (the "Convertible Bonds") to ARL.

The Convertible Bonds, if fully subscribed for and issued, are convertible into a total of 120 million new ordinary shares of the Company at the conversion price of HK\$0.95 per ordinary share.

The fair value of the liability component of the Convertible Bonds is determined by reference to the Hong Kong Exchange Fund Notes Yield. The effective interest rate on the liability component of the Convertible Bonds is 7.534% per annum. The residual amount is recognized as the equity component and is included in shareholders' equity.

The net proceeds received from the issue of the Convertible Bonds have been split between the liability and equity components, as follows:

	Unaudited <i>HK\$'000</i>
Nominal value of the Convertible Bonds	114,000
Equity component	(22,320)
	<hr/>
Liability component at the issuance date	91,680
Imputed interest expenses	2,063
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Liability component at 30 September 2006	<u>93,743</u>

On 20 December 2006, ARL converted a portion of the Convertible Bonds in the principal amount of HK\$25,175,000 at the fixed conversion price of HK\$0.95 per share and as a result, 26,500,000 shares were issued and allotted to ARL.

15. Share options

Pursuant to ordinary resolutions passed by the shareholders of the Company on 22 September 2006, the Company terminated the share option scheme adopted from 2001 ("2001 Scheme") and adopted a new share option scheme (the "New Share Option Scheme").

Under the New Share Option Scheme, which is valid for a period of ten years, the board of directors of the Company may, at its discretion grant options to subscribe for shares in the Company to eligible participants ("Eligible Participants") who contributes to the long-term growth and profitability of the Company. Eligible Participants includes (i) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) (the "Eligible Employee") of the Company, any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest; (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group. The subscription price for the Company's shares shall be a price at least equal to the highest of the nominal value of the Company's shares, the average of the closing prices of the Company's shares quoted on the Stock Exchange on the five trading days immediately preceding the date of an offer of the grant of the options and the closing price of the Company's shares quoted on the Stock Exchange on the date of an offer of the grant of the options. The options must be taken up within 28 days from the date of grant upon payment of HK\$1 and are exercisable over a period to be determined and notified by the directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than ten years from the date of adoption of the New Share Option Scheme.

The total number of the Company's shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other schemes of the Group (excluding options lapsed in accordance with the terms of the New Share Option Scheme and any other schemes of the Group) must not in aggregate exceed 10% of the Company's shares in issue as at the date of adoption of the New Share Option Scheme. The limit on the number of the Company's shares which may be issued upon exercise of all outstanding option granted any yet to be exercised under the New Share Option Scheme and any other schemes of the Group must not exceed 30% of the Company's shares in issue from time to time. The total number of the Company's shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) under the New Share Option Scheme or other schemes of the Group in any 12- month period up to the date of grant must not exceed 1% of the Company's shares in issue at the date of grant unless approved by the Company's shareholders in general meeting.

15. Share options (continued)

The Directors consider the New Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, Directors and other selected participants for their contributions to the Group and will also assist the Group in its recruitment and retention of high caliber professionals, executives and employees who are instrumental to the growth and stability of the Group.

Details of the share option movements during the period ended 30 September 2006 under the 2001 Scheme are as follows:

	Number of share options				Outstanding at 30 Sept 2006	Exercise price (HK\$)	Date of grant	Exercisable period
	Outstanding At 1 April 2006	Granted during the period	Exercised during the period	Lapsed during the period				
Continuous Contract Employees	-	18,000,000	-	-	18,000,000	0.738	6 April 2006	6 April 2006 to 21 Oct 2011
Continuous Contract Employees	-	54,000,000	-	-	54,000,000	1.56	19 June 2006	19 June 2006 to 21 Oct 2011
	<u>-</u>	<u>72,000,000</u>	<u>-</u>	<u>-</u>	<u>72,000,000</u>			

No option has been granted under the New Share Option scheme during the period ended 30 September 2006.

Fair value of share options

The fair value of services received in return for share options granted during the period ended 30 September 2006 under the 2001 Scheme are measured by reference to the fair value of share options granted under 2001 Scheme. The estimate of the fair value of the services received is measured based on Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used for the share options granted on 6 April 2006 and 19 June 2006 respectively (the "6 April 2006 Grant" and "19 June 2006 Grant", respectively).

	6 April 2006 Grant	19 June 2006 Grant
Expected dividend yield (%)	0.0	0.0
Expected volatility (%)	110.27	85.56
Risk-free interest rate (%)	4.17	4.637
Expected life of options (years)	1	3
Subscription price (HK\$)	0.738	1.56
Share price at date of grant (HK\$)	0.73	1.50

15. Share options *(continued)*

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The estimated fair value of the options granted on 6 April 2006 and 19 June 2006 are HK\$3,508,668 and HK\$29,031,426 respectively of which HK\$32,540,094 was charged to the unaudited consolidated income statement for the six months ended 30 September 2006.

16. Warrants

At an extraordinary general meeting of the Company held on 22 September 2006, a bonus issue of warrants to the shareholders of the Company ("Warrants"), in the proportion of one Warrant for every five shares held in the share capital of the Company, was proposed and approved. Consequently, 173,600,000 Warrants were issued, conferring rights to the holders of the Warrants during the period from 4 October 2006 to 3 October 2008 to subscribe for up to an aggregate of 173,600,000 shares at an initial subscription price of HK\$5.0 per Company's share.

17. Contingent liabilities

At 30 September 2006, the Group had no contingent liabilities in respect of discounted bills with recourse (At 31 March 2006: Nil).

18. Commitments under operating leases

At 30 September 2006, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Within one year	1,312	935
Later than one year but not later than five years	655	189
Expiring after five years	3,149	–
	<u>5,116</u>	<u>1,124</u>

19. Capital commitments

At 30 September 2006, the Group had no capital commitments in respect of purchase of plant and equipment (At 31 March 2006: Nil).

20. Related party transactions

Significant related party transactions during the period, which were carried out in the normal course of the Group's business with the following companies in which certain directors of subsidiaries have beneficial interest, charging at prices mutually agreed during the period under review are as follows:

	Notes	Unaudited Six months ended 30 September	
		2006 HK\$'000	2005 HK\$'000
Interest income			
Beautiking Investments Limited	(i)	–	35
Rental paid			
Beaumax Company Limited	(ii)	114	114
Beautiking Investments Limited	(iii) & (iv)	192	192
Glory Motion Company Limited	(iii)	138	138

Notes:

- (i) Amount due from Beautiking Investments Limited was unsecured and interest-bearing at 12% per annum which was charged at market rates.
- (ii) One of the subsidiaries, Sun Hip Fung (JF) Printing Products Company Limited, has entered into a lease agreement with Beaumax Company Limited, to lease office space for a period of 2 years commencing 1 February 2005 at a monthly rental of HK\$19,000. The lease was entered into on normal commercial terms.
- (iii) One of the subsidiaries, New Spring Group Company Limited, has entered into lease agreements with Beautiking Investments Limited and Glory Motion Company Limited to lease office spaces for a period of 2 years commencing 1 February 2005 and 1 July 2005 at a monthly rental of HK\$22,000 and HK\$23,000 respectively. The leases were entered into on normal commercial terms.
- (iv) One of the subsidiaries, Visual Products Limited, has entered into a lease agreement with Beautiking Investments Limited to lease office spaces for a period of 2 years commencing 1 April 2006 at monthly rental of HK\$10,000. The lease was entered into on normal commercial terms.

21. Interim dividend

The Directors do not recommend the payment of an interim dividend for the period under review (for the six months ended 30 September 2005: Nil).

22. Post balance sheet events

On 28 November 2006, the Company announced that Lelion Holdings Limited, a wholly-owned subsidiary of the Company entered into a conditional agreement to acquire the entire issued share capital of Nan Hoo Properties Limited ("Nan Hoo") and assignment of loan from a shareholder of Nan Hoo ("Nan Hoo Acquisition") for the total consideration of HK\$454 million ("Acquisition Consideration").

Nan Hoo has a direct 100% equity interest in the registered share capital of Beijing Genetech Pharmaceutical Co., Ltd. ("Beijing Genetech"). Beijing Genetech is principally engaged in the manufacture and sale of pharmaceutical products in the form of tablets, capsules, granules and large volume parenteral solutions, as well as the research and development of generic drugs. It has a GMP compliant production plant in Beijing, the PRC with a total of five production lines.

The Acquisition Consideration was satisfied as to (i) HK\$230 million in cash and (ii) HK\$224 million by the allotment and issue of an aggregate of 80 million new shares at an issue price of HK\$2.80 each by the Company to the vendors of shares in and holder of the loan to Nan Hoo.

The Nan Hoo Acquisition was completed on 21 December 2006.