



聯康生物科技集團有限公司\*

Uni-Bio Science Group Limited

(Incorporated in the Cayman Islands with limited liability) Stock Code: 690

*INTERIM*  
*REPORT*  
**2007**



\*For identification purposes only

## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Tong Kit Shing (*Chairman*)  
Mr. Liu Guoyao  
Mr. Cheng Wai Man

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhou Yaoming  
Mr. Lin Jian  
Mr. So Yin Wai

### AUDIT COMMITTEE

Mr. Zhou Yaoming  
Mr. Lin Jian  
Mr. So Yin Wai

### REMUNERATION COMMITTEE

Mr. Tong Kit Shing  
Mr. Cheng Wai Man  
Mr. So Yin Wai  
Mr. Zhou Yaoming  
Mr. Lin Jian

### NOMINATION COMMITTEE

Mr. Tong Kit Shing  
Mr. Cheng Wai Man  
Mr. So Yin Wai  
Mr. Zhou Yaoming  
Mr. Lin Jian

### CHIEF EXECUTIVE OFFICER

Dr. Samuel Zia

### COMPANY SECRETARY

Mr. Goldman Lee

### QUALIFIED ACCOUNTANT

Mr. Goldman Lee

### REGISTERED OFFICE

Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman  
KY1-1111  
Cayman Islands

### AUDITORS

CCIF CPA Limited

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2302, 23/F. Lippo Centre Tower II  
89 Queensway, Admiralty  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited  
3/F, 36C Bermuda House  
P.O. Box 513 G.T.  
Dr. Roy's Drive, George Town  
Grand Cayman, Cayman Islands  
British West Indies

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

### LEGAL ADVISERS AS TO HONG KONG LAW

Chiu & Partners  
41/F., Jardine House  
1 Connaught Place  
Hong Kong

### PRINCIPAL BANKERS

Bank of Communications Co., Ltd.  
Fubon Bank (Hong Kong) Limited

### STOCK CODE

0690

### WEBSITE

[www.uni-bioscience.com](http://www.uni-bioscience.com)



The Interim Report is printed on environmentally friendly paper.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
	Note	<b>2007</b>	2006
		<b>HK\$'000</b>	HK\$'000
			(restated)
<b>Continuing Operations:</b>			
Turnover	3	<b>359,180</b>	55,347
Cost of sales		<b>(155,079)</b>	(29,977)
Gross profit		<b>204,101</b>	25,370
Other revenues		<b>1,367</b>	2,532
Distribution costs		<b>(15,590)</b>	(2,947)
Administrative expenses		<b>(39,904)</b>	(4,698)
Share-based payment		<b>–</b>	(32,540)
Operating profit/(loss)		<b>149,974</b>	(12,283)
Finance costs		<b>(1,958)</b>	(2,063)
Profit/(loss) before taxation		<b>148,016</b>	(14,346)
Income tax	6	<b>(61,979)</b>	(7,373)
Profit/(loss) for the period from continuing operations		<b>86,037</b>	(21,719)
<b>Discontinued Operations:</b>			
Profit/(loss) for the period from discontinued operations		<b>3,478</b>	(2,177)
Profit/(loss) for the period	4	<b>89,515</b>	(23,896)
Attributable to:			
Equity holders of the Company		<b>89,515</b>	(23,900)
Minority interests		<b>–</b>	4
		<b>89,515</b>	(23,896)
		<b>HK cents</b>	HK cents
			(restated)
Earnings/(Loss) per share	8		
From continuing and discontinued operations			
Basic		<b>1.21</b>	(0.47)
Diluted		<b>1.17</b>	N/A
From continuing operations			
Basic		<b>1.17</b>	(0.43)
Diluted		<b>1.13</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2007

		<b>Unaudited 30 September 2007 HK\$'000</b>	Audited 31 March 2007 HK\$'000
<b>Non-current assets</b>			
Goodwill		<b>566,975</b>	557,541
Property, plant and equipment		<b>310,872</b>	334,549
Leasehold land and land use rights held for own use		<b>26,142</b>	14,697
Intangible assets		<b>264,847</b>	114,257
Deferred tax assets		–	1,874
		<b>1,168,836</b>	1,022,918
<b>Current assets</b>			
Leasehold land and land use rights held for own use		<b>1,565</b>	784
Inventories		<b>4,079</b>	15,352
Trade receivables	9	<b>143,989</b>	59,737
Other receivables, deposits and prepayments		<b>99,525</b>	142,919
Dividend receivable		–	1,100
Tax recoverable		–	219
Pledged bank deposits		–	13,550
Cash and cash equivalents		<b>182,111</b>	42,868
		<b>431,269</b>	276,529
<b>Current liabilities</b>			
Trade payables	10	<b>33,072</b>	30,380
Accrued charges and other payables		<b>30,883</b>	55,311
Tax payable		<b>91,590</b>	20,813
Short term borrowing		<b>20,000</b>	–
Current portion of long-term loans		–	12,645
Current portion of obligations under finance leases		–	161
Trust receipts		–	2,962
Bank overdrafts, secured		–	8,951
		<b>175,545</b>	131,223
<b>Net current assets</b>		<b>255,724</b>	145,306
<b>Total assets less current liabilities</b>		<b>1,424,560</b>	1,168,224

## CONDENSED CONSOLIDATED BALANCE SHEET (continued)

At 30 September 2007

		<b>Unaudited 30 September 2007 HK\$'000</b>	Audited 31 March 2007 HK\$'000
<b>Non-current liabilities</b>			
Long-term loans		–	36,950
Obligations under finance leases		–	202
Convertible bonds	12	–	51,876
Deferred tax liabilities		–	8,766
		<hr/>	<hr/>
		–	97,794
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b><u>1,424,560</u></b>	<u>1,070,430</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	<b>785,869</b>	100,400
Reserves		<b>638,691</b>	968,936
		<hr/>	<hr/>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,424,560</b>	1,069,336
<b>Minority interests</b>		–	1,094
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b><u>1,424,560</u></b>	<u>1,070,430</u>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2007

	Unaudited	
	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Net cash generated from operating activities, Including discontinued operations	<u>119,057</u>	<u>7,518</u>
Net cash generated from/(used in) investing activities, including discontinued operations	<u>28,201</u>	<u>(272,343)</u>
Net cash generated from financing activities, including discontinued operations	<u>936</u>	<u>558,370</u>
Increase in cash and cash equivalents	<b>148,194</b>	293,545
Cash and cash equivalents at 1 April	<b>33,917</b>	(8,910)
Cash and cash equivalents at 30 September	<b><u>182,111</u></b>	<b><u>284,635</u></b>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<b>182,111</b>	296,757
Bank overdrafts, secured	-	(8,856)
Trust receipts loans	-	(3,266)
	<b><u>182,111</u></b>	<b><u>284,635</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

	Unaudited											
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Equity component of		Exchange reserve HK\$'000	Revaluation reserve HK\$'000	Retained Profits HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
					Share convertible							
					options reserve HK\$'000	bonds reserve HK\$'000						
At 1 April 2007	100,400	853,993	(243)	6,289	32,540	11,904	8,894	1,330	54,229	1,069,336	1,094	1,070,430
Issue of shares – exercise of warrants	-	1	-	-	-	-	-	-	-	1	-	1
Issue of shares – exercise of share option	1,800	11,484	-	-	-	-	-	-	-	13,284	-	13,284
Transfer from share-based payment reserve	-	3,508	-	-	(3,508)	-	-	-	-	-	-	-
Issue of shares – conversion of convertible bonds	6,400	58,290	-	-	-	(11,904)	-	-	-	52,786	-	52,786
Issue of shares – acquisition of a subsidiary	3,667	198,018	-	-	-	-	-	-	-	201,685	-	201,685
Issue of shares – bonus issue	673,602	(673,602)	-	-	-	-	-	-	-	-	-	-
Disposal of subsidiaries	-	-	(24)	-	-	-	-	(1,330)	-	(1,354)	(1,094)	(2,448)
Addition from an overseas subsidiary	-	-	3,742	-	-	-	-	-	-	3,742	-	3,742
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	7,914	-	-	7,914	-	7,914
Final dividend 2006/2007 declared	-	-	-	-	-	-	-	-	(12,349)	(12,349)	-	(12,349)
Profit attributable to shareholders	-	-	-	-	-	-	-	-	89,515	89,515	-	89,515
At 30 September 2007	<u>785,869</u>	<u>451,692</u>	<u>3,475</u>	<u>6,289</u>	<u>29,032</u>	<u>-</u>	<u>16,808</u>	<u>-</u>	<u>131,395</u>	<u>1,424,560</u>	<u>-</u>	<u>1,424,560</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 September 2006

	Unaudited											
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Share options reserve HK\$'000	Equity component of convertible bonds reserve HK\$'000	Exchange reserve HK\$'000	Revaluation reserve HK\$'000	Retained Profits HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2006	18,000	12,667	(243)	534	-	-	20	1,330	196	32,504	1,100	33,604
Issue of shares – open offer	36,000	144,000	-	-	-	-	-	-	-	180,000	-	180,000
Issue of shares – acquisition of subsidiary	22,000	176,000	-	-	-	-	-	-	-	198,000	-	198,000
Issue of shares – share placing	10,800	259,200	-	-	-	-	-	-	-	270,000	-	270,000
Recognition of equity component of convertible bonds	-	-	-	-	-	22,320	-	-	-	22,320	-	22,320
Equity settled share-based payments transactions	-	-	-	-	32,540	-	-	-	-	32,540	-	32,540
Public welfare fund on a subsidiary in PRC	-	-	-	748	-	-	-	-	-	748	-	748
Expenses incurred on: share issue	-	(3,124)	-	-	-	-	-	-	-	(3,124)	-	(3,124)
(Loss)/Profit attributable to shareholders	-	-	-	-	-	-	-	-	(23,900)	(23,900)	4	(23,896)
At 30 September 2006	<u>86,800</u>	<u>588,743</u>	<u>(243)</u>	<u>1,282</u>	<u>32,540</u>	<u>22,320</u>	<u>20</u>	<u>1,330</u>	<u>(23,704)</u>	<u>709,088</u>	<u>1,104</u>	<u>710,192</u>





## 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 paper and packaging products. The packaging products, paper gifts items and promotional products business was disposed of in September 2007.

### 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 (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 2007 except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRS", which also include HKASs and interpretations) that affect the Group and are adopted the first time for the current period's financial statements.

- |                      |                                                 |
|----------------------|-------------------------------------------------|
| • HKAS 1 Amendment   | Capital Disclosures                             |
| • HKFRS 7            | Financial Instruments: Disclosures              |
| • HK(IFRIC) – Int 8  | Scope of HKFRS 2                                |
| • HK(IFRIC) – Int 9  | Reassessment of Embedded Derivatives            |
| • HK(IFRIC) – Int 10 | Interim Financial Reporting and Impairment      |
| • HK(IFRIC) – Int 11 | HKFRS 2 – Group and Treasury Share Transactions |

The adoption of the above HKFRSs has had no material impact on the accounting policies of the Group and the methods of the computation in the Group's condensed consolidated financial statements.

### 3. Segment information

#### *Primary reporting format – business segments*

An analysis of the Group's by business segments is as follows:

	Unaudited Six months ended 30 September 2007					
	Continuing Operations			Discontinued Operations		
	Distribution of third party pharmaceutical products HK\$'000	In-house chemical pharmaceutical products HK\$'000	In-house biological pharmaceutical products HK\$'000	Subtotal HK\$'000	Packaging products, paper gifts items and promotional products business HK\$'000	Group HK\$'000
Turnover	<u>284,846</u>	<u>51,452</u>	<u>22,882</u>	<u>359,180</u>	<u>62,570</u>	<u>421,750</u>
Segment results	141,204	40,885	22,012	204,101	17,540	221,641
Other revenue				1,367	2,083	3,450
Distribution costs				(15,590)	-	(15,590)
Administrative expenses				(39,904)	(10,190)	(50,094)
Impairment of inventories				-	(1,950)	(1,950)
Operating profit				149,974	7,483	157,457
Finance costs				(1,958)	(4,005)	(5,963)
Profit before taxation				148,016	3,478	151,494
Income tax				(61,979)	-	(61,979)
Profit for the period				<u>86,037</u>	<u>3,478</u>	<u>89,515</u>

### 3. Segment information (continued)

#### Primary reporting format – business segments (continued)

Unaudited  
Six months ended  
30 September 2006

	Continuing Operations			Discontinued Operations	Group HK\$'000
	Distribution of third party pharmaceutical products HK\$'000	In-house pharmaceutical products HK\$'000	Subtotal HK\$'000	Packaging products, paper gifts items and promotional products business HK\$'000	
Turnover	<u>55,347</u>	<u>–</u>	<u>55,347</u>	<u>35,349</u>	<u>90,696</u>
Segment results	25,370	–	25,370	4,865	30,235
Other revenue			2,532	2,707	5,239
Distribution costs			(2,947)	(555)	(3,502)
Administrative expenses			(4,698)	(6,687)	(11,385)
Share-based payment			<u>(32,540)</u>	<u>–</u>	<u>(32,540)</u>
Operating profit/(loss)			(12,283)	330	(11,953)
Finance costs			<u>(2,063)</u>	<u>(2,507)</u>	<u>(4,570)</u>
Loss before taxation			(14,346)	(2,177)	(16,523)
Income tax			<u>(7,373)</u>	<u>–</u>	<u>(7,373)</u>
Loss for the period			<u>(21,719)</u>	<u>(2,177)</u>	<u>(23,896)</u>

### 3. Segment information (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 2007 (unaudited)

	Turnover			Segment results			Total assets		
	Continuing operations	Discontinued operations	Consolidated	Continuing operations	Discontinued operations	Consolidated	Continuing operations	Discontinued operations	Consolidated
	HK'000	HK\$'000	HK\$'000	HK'000	HK\$'000	HK\$'000	HK'000	HK\$'000	HK\$'000
Hong Kong	-	42,084	42,084	-	11,471	11,471	15,522	-	15,522
PRC	359,180	17,985	377,165	204,101	5,443	209,544	1,584,583	-	1,584,583
Other countries	-	2,501	2,501	-	626	626	-	-	-
	<u>359,180</u>	<u>62,570</u>	<u>421,750</u>	<u>204,101</u>	<u>17,540</u>	<u>221,641</u>	<u>1,600,105</u>	<u>-</u>	<u>1,600,105</u>
Unallocated income				1,367	460	1,827			
Unallocated costs				(55,494)	(10,190)	(65,684)			
Finance cost				(1,958)	(4,005)	(5,963)			
Gain on disposal of discontinued operations				-	1,623	1,623			
Impairment losses of obsolete inventories				-	(1,950)	(1,950)			
Profit before taxation				148,016	3,478	151,494			
Income tax				(61,979)	-	(61,979)			
Profit for the period				<u>86,037</u>	<u>3,478</u>	<u>89,515</u>			

### 3. Segment information (continued)

For the six months ended 30 September 2006 (unaudited)

	Turnover			Segment results			Total assets		
	Continuing operations	Discontinued operations	Consolidated	Continuing operations	Discontinued operations	Consolidated	Continuing operations	Discontinued operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	-	24,658	24,658	-	3,394	3,394	290,279	28,052	318,331
PRC	55,347	10,168	65,515	25,370	1,399	26,769	595,194	11,567	606,761
Other countries	-	523	523	-	72	72	-	-	-
	<u>55,347</u>	<u>35,349</u>	<u>90,696</u>	<u>25,370</u>	<u>4,865</u>	<u>30,235</u>	<u>885,473</u>	<u>39,619</u>	<u>925,092</u>
Unallocated income				2,532	2,707	5,239			
Unallocated costs				(40,185)	(7,242)	(47,427)			
Finance costs				(2,063)	(2,507)	(4,570)			
Loss before taxation				(14,346)	(2,177)	(16,523)			
Income tax				(7,373)	-	(7,373)			
Loss for the period				<u>(21,719)</u>	<u>(2,177)</u>	<u>(23,896)</u>			

### 4. Profit/(loss) for the period

Profit/(loss) for the period is stated after the following:

	Unaudited Six months ended 30 September					
	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
After charging:						
Cost of inventories sold	<b>155,079</b>	29,977	<b>45,030</b>	30,484	<b>200,109</b>	60,461
Depreciation of fixed assets						
– owned assets	<b>15,235</b>	3,177	<b>2,497</b>	1,781	<b>17,732</b>	4,958
– assets held under finance leases	-	-	<b>1,569</b>	1,786	<b>1,569</b>	1,786
Impairment losses of obsolete inventories	-	-	<b>1,950</b>	-	<b>1,950</b>	-

## 5. Staff costs

	Unaudited Six months ended 30 September					
	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wages and salaries	5,630	1,824	2,123	3,287	7,753	5,111
Pension costs – defined contribution plans	56	27	69	96	125	123
	<u>5,686</u>	<u>1,851</u>	<u>2,192</u>	<u>3,383</u>	<u>7,878</u>	<u>5,234</u>

## 6. Income tax

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

	Unaudited Six months ended 30 September					
	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	-	-	-	-	-	-
Taxation in other jurisdictions	61,979	7,373	-	-	61,979	7,373
Deferred taxation	-	-	-	-	-	-
	<u>61,979</u>	<u>7,373</u>	<u>-</u>	<u>-</u>	<u>61,979</u>	<u>7,373</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the six months ended 30 September 2007. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

## 7. Discontinued operations

On 19 September 2007, the Group entered into an agreement to dispose of 100% interest in, and relating loans to, New Master Group Limited which holds a group of subsidiaries principally engaged in the packaging products, paper gifts items and promotional products business for HK\$36 million in cash. The disposal was completed on 30 September 2007.

The Group is from time to time seeking a good return on its investments. The Group is in the course of formulating a new investment strategy and this disposal is part of this new investment strategy.

An analysis of the results is set out in note 3. The cash flows of the discontinued operations included in the condensed consolidated cash flow statement is as follows:

	<b>Unaudited Six months ended 30 September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Cash flow from discontinued operations		
Net cash generated from operating activities	<b>10,958</b>	3,123
Net cash used in investing activities	<b>(26)</b>	(974)
Net cash used in financing activities	<b>(7,104)</b>	(2,507)
Net cash flows	<b><u>3,828</u></b>	<u>(358)</u>



## 7. Discontinued operations (continued)

The net assets of the discontinued operations at the date of disposal were as follows:

	<b>30 September 2007</b> <i>HK\$'000</i>
Net assets disposed of	36,417
Capital reserve released	(24)
Revaluation reserve released	(1,330)
Minority interests released	(1,094)
	<hr/>
	33,969
Gain on disposal	1,623
	<hr/>
Total consideration	<u>35,592</u>
Satisfied by:	
Cash	36,000
Expenses incurred	(408)
	<hr/>
	<u>35,592</u>
Net cash inflow arising on disposal:	
Net cash consideration	35,592
Bank overdrafts disposed of	4,773
	<hr/>
	<u>40,365</u>



## 8. Earnings/(loss) per share

### (i) From continuing and discontinued operations

The calculation of basic and diluted earnings/(loss) per share from continuing and discontinued operations attributable to equity holders of the Company is based on the following data:

	<b>Six months ended 30 September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(Note)</b>	(Note)
Profit/(loss):		
Profit/(loss) for the period attributable to equity holders of the Company for the purpose of basic and diluted earnings/(loss) per share	<u><b>89,515</b></u>	<u>(23,900)</u>
	<b>2007</b>	2006
	<b>(Note)</b>	(Note)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<b>7,372,217,188</b>	5,065,726,771
Effect of dilutive potential ordinary shares		
– Share options	<b>261,197,566</b>	–
– Warrants	<u><b>11,887,460</b></u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	<u><b>7,645,302,214</b></u>	<u>5,065,726,771</u>

Note: The weighted average number of ordinary shares for 2006 had been adjusted for the effect of bonus issue in 2007.

## 8. Earnings/(loss) per share (continued)

### (ii) From continuing operations

The calculation of the basic and diluted earnings/(loss) per share from continuing operations attributable to equity holders of the Company is based on the following data:

	<b>Six months ended 30 September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(Note)</b>	(Note)
Profit/(loss):		
Profit/(loss) for the period attributable to equity holders of the Company	<b>89,515</b>	(23,900)
Less: (Profit)/loss for the period from discontinued operations attributable to equity holders of the Company	<b>(3,478)</b>	2,177
	<hr/> <b>86,037</b> <hr/>	<hr/> (21,723) <hr/>
Profit/(loss) for the purpose for calculating basic and diluted earnings/(loss) per share from continuing operations	<b>2007</b>	2006
	<b>(Note)</b>	(Note)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<b>7,372,217,188</b>	5,065,726,771
Effect of dilutive potential ordinary shares		
– Share options	<b>261,197,566</b>	–
– Warrants	<b>11,887,460</b>	–
	<hr/> <b>7,645,302,214</b> <hr/>	<hr/> 5,065,726,771 <hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share		

Note: The weighted average number of ordinary shares for 2006 had been adjusted for the effect of bonus issue in 2007.

## 9. Trade receivables

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

	<b>Unaudited 30 September 2007 HK\$'000</b>	Audited 31 March 2007 HK\$'000
Within 30 days	<b>83,762</b>	47,720
31 – 60 days	<b>21,254</b>	1,629
61 – 90 days	<b>29,081</b>	2,935
Over 90 days	<b>9,892</b>	16,775
	<hr/> <b>143,989</b>	<hr/> 69,059
Less: Provision for impairment of receivables	<hr/> –	<hr/> (9,322)
	<hr/> <b>143,989</b> <hr/>	<hr/> 59,737 <hr/>

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.

## 10. Trade payables

The ageing analysis of trade payables is as follows:

	<b>Unaudited 30 September 2007 HK\$'000</b>	Audited 31 March 2007 HK\$'000
Current – 30 days	<b>28,682</b>	16,842
31 – 60 days	<b>3,092</b>	3,254
61 – 90 days	<b>1,298</b>	1,813
Over 90 days	<hr/> –	<hr/> 8,471
	<hr/> <b>33,072</b> <hr/>	<hr/> 30,380 <hr/>

## 11. Share capital

	Number of shares '000	Par value HK\$'000
(A) Authorised:		
Ordinary shares of HK\$0.10 each at 1 April 2006 and 1 April 2007	2,000,000	200,000
Increase in authorized capital ( <i>Note a</i> )	48,000,000	4,800,000
	<u>50,000,000</u>	<u>5,000,000</u>
Ordinary shares of HK\$0.10 each at 30 September 2007	<u>50,000,000</u>	<u>5,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 1 April 2006	180,000	18,000
Issue of shares by open offer ( <i>Note b</i> )	360,000	36,000
Issue of shares for the acquisition of subsidiaries ( <i>Note c</i> )	220,000	22,000
Issue of shares by share placement ( <i>Note d</i> )	108,000	10,800
Issue of shares for the acquisition of subsidiaries ( <i>Note e</i> )	80,000	8,000
Issue of shares upon conversion of convertible bonds on 20 December 2006 ( <i>Note f</i> )	26,500	2,650
Issue of shares upon conversion of convertible bonds on 5 January 2007 ( <i>Note f</i> )	29,500	2,950
	<u>1,004,000</u>	<u>100,400</u>
At 31 March 2007, ordinary shares of HK\$0.10 each	1,004,000	100,400
Issue of shares upon conversion of convertible bonds on 25 June 2007 ( <i>Note g</i> )	64,000	6,400
Issue of shares upon exercise of warrants ( <i>Note h</i> )	—	—
Issue of shares upon exercise of options ( <i>Note i</i> )	18,000	1,800
Issue of shares for the acquisition of subsidiaries ( <i>Note j</i> )	36,670	3,667
Issue of bonus shares ( <i>Note k</i> )	6,736,022	673,602
	<u>7,858,692</u>	<u>785,869</u>
At 30 September 2007, ordinary shares of HK\$0.10 each	<u>7,858,692</u>	<u>785,869</u>



## 11. Share capital (continued)

Note:

- (a) On 6 August 2007, the shareholders of the Company approved the increase of authorized share capital of the Company from HK\$200,000,000 to HK\$5,000,000,000 by the creation of an additional 48,000,000,000 ordinary shares of HK\$0.10 each.
- (b) On 7 April 2006, the Company allotted and issued 360,000,000 ordinary shares of HK\$0.10 each by way of an open offer at HK\$0.50 per share for cash.
- (c) On 14 June 2006, the Company allotted and issued 220,000,000 ordinary shares of HK\$0.10 each at the issued price of HK\$0.90 per share to partly settle the consideration for acquisition of 100% equity interest in Figures Up Trading Limited.
- (d) On 14 August 2006, the Company allotted and issued 108,000,000 ordinary shares of HK\$0.10 each by way of share placement at HK\$2.50 per share for cash.
- (e) On 21 December 2006, the Company allotted and issued 80,000,000 ordinary shares of HK\$0.10 each at the issue price of HK\$2.80 per share to partly settle the consideration for the acquisition of 100% equity in Nan Hoo Properties Limited.
- (f) On 20 December 2006, the Company allotted and issued 26,500,000 ordinary shares of HK\$0.10 each at a conversion price of HK\$0.95 when Automatic Result Limited exercised its conversion right attaching to the 3-year HK\$114 million zero coupon convertible bonds due 2009 ("Convertible Bonds") issued by the Company on 14 June 2006.

On 5 January 2007, the Company allotted and issued 29,500,000 ordinary shares of HK\$0.10 each at a conversion price of HK\$0.95 when Automatic Result Limited exercised its conversion right attaching to the Convertible Bonds.
- (g) On 25 June 2007, the Company allotted and issued 64,000,000 ordinary shares of HK\$0.10 each at a conversion price of HK\$0.95 per share upon exercise of conversion right attaching to the Convertible Bonds by the holders thereof.
- (h) During the period, the Company allotted and issued 280 ordinary shares of HK\$0.1 each upon conversion of warrants at an exercise price of HK\$5.00 per share.
- (i) On 23 July 2007, the Company allotted and issued 18,000,000 ordinary shares of HK\$0.10 each upon exercise of options at a subscription price of HK\$0.738 per share.
- (j) On 22 August 2007, the Company allotted and issued 36,670,000 ordinary shares of HK\$0.10 each at the issue price of HK\$5.50 per share to partly settle the consideration for the acquisition of 100% equity in Zethanel Properties Limited.
- (k) On 31 August 2007, the Company allotted and issued 6,736,021,680 ordinary shares of HK\$0.10 each as bonus shares on the basis of 6 bonus shares for every 1 then existing share held.
- (l) All new shares issued during the year ended 31 March 2007 and for the six months ended 30 September 2007 rank pari passu with the existing shares in all material respects.



## 12. Convertible bonds

In June 2006, in order to finance part of the cash portion of the acquisition of Figures Up Trading Limited, the Group entered into a subscription agreement with Automatic Result Limited (“Automatic Result”) to issue a 3-year HK\$114 million zero coupon convertible bonds due 2009 (the “Convertible Bonds”) to Automatic Result.

The Convertible Bonds are convertible into a total of 120 million new ordinary shares of HK\$0.10 each 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 Convertible Bonds were fully converted during the period ended 30 September 2007.

## 13. 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 on 22 October 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 21 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.

### 13. Share options (continued)

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.

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 2007 under the 2001 Scheme are as follows:

	Number of share options					Outstanding at 30 Sept 2007	Exercise price (HK\$) (Note)	Date of grant	Exercisable period
	Outstanding At 1 April 2007	Granted during the period	Adjusted during the period (Note)	Exercised during the period	Lapsed during the period				
Continuous Contract Employees	18,000,000	-	-	(18,000,000)	-	-	0.7380	6 April 2006	6 April 2006 to 21 Oct 2011
Continuous Contract Employees	54,000,000	-	324,000,000	-	-	378,000,000	0.2229	19 June 2006	19 June 2006 to 21 Oct 2011
	<u>72,000,000</u>	<u>-</u>	<u>324,000,000</u>	<u>(18,000,000)</u>	<u>-</u>	<u>378,000,000</u>			

No option has been granted under the New Share Option Scheme during the period ended 30 September 2007.

Note: Following the issue of bonus shares in August 2007 on the basis of 6 bonus shares for every 1 then existing issued share, the exercise price of the options granted on 19 June 2006 was adjusted from HK\$1.56 per share to HK\$0.2229 per share and the number of shares to be issued upon full exercise of the options granted on 19 June 2006 was adjusted from 54,000,000 to 378,000,000.

#### 14. Warrants

Movement of warrants for the period ended 30 September 2007 is set out below:

Amount of warrants outstanding	HK\$'000
Balance at 1 April 2007	868,000
Exercised during the period ( <i>Note 11(h)</i> )	(1)
	<hr/>
Balance at 30 September 2007	<u>867,999</u>

Following the issue of bonus shares in August 2007 on the basis of 6 bonus shares for every 1 then existing issued share, the number of shares to be issued and the subscription price of the warrants are adjusted as follows:

Amount of warrants outstanding	Subscription price per share before adjustment	Original number of shares to be issued upon exercise of warrants	Adjusted subscription price per share	Adjusted number of shares	Exercise period
HK\$867,998,600	HK\$5.00	173,599,720	HK\$0.7143	1,215,198,040	4 Oct 2006 to 3 Oct 2008 (both days inclusive)

#### 15. Contingent liabilities

At 30 September 2007, the Group had no contingent liabilities in respect of discounted bills with recourse (At 31 March 2007: Nil).

#### 16. Commitments under operating leases

At 30 September 2007, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Within 1 year	357	1,308
After 1 year but within 5 years	—	220
	<hr/>	<hr/>
	<u>357</u>	<u>1,528</u>





### **17. Capital commitments**

At 30 September 2007, the Group had capital commitments in respect of purchase of plant and equipment of HK\$1,760,000 (At 31 March 2007: HK\$11,964,000).

### **18. 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 2006: Nil).

### **19. Capital Management**

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth; and
- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.



## MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group recorded a consolidated turnover of HK\$359,180,000 representing a significant increase of 549% compared with HK\$55,347,000 recorded in the last corresponding period. The gross profit was HK\$204,101,000 (for the six months ended 30 September 2006: HK\$25,370,000) representing an increase of 704% as compared with the corresponding period of last year. The Group recorded a net profit of approximately HK\$89,515,000 for the six months ended 30 September 2007 compared to a loss of approximately HK\$23,896,000 in the corresponding period in 2006.


The significant corporate events during the period include:

- (i) Acquisition of 100% interest in Zethanel Properties Limited, holding the entire equity interests in Shenzhen Watsin Genetech Co. Ltd. (深圳市華生元基因工程發展有限公司) (“Shenzhen Watsin”).

Shenzhen Watsin is a wholly-foreign owned enterprise established in the PRC and it is principally engaged in the development, manufacturing and marketing of bio-pharmaceutical products. Its main products are recombinant human epidermal growth factor products (“rhEGF products”) in liquid preparations primarily indicated for external use for burn and wound care. The flagship product, “GENETIME”, is a liquid spray rhEGF formulation and has been granted a Class I prescription new drug certificate by the Ministry of Health of the PRC.

In July 2007, Shenzhen Watsin obtained the approval to distribute and sell its flagship rhEGF product “GENETIME” in the Russian Federation and have succeeded in making sales of such products in the Russian Federation following the grant of such approval.

The consideration for the acquisition was approximately HK\$366.7 million and was settled partly in cash of HK\$165,000,000 and the balance of HK\$201,700,000 by issue of 36,670,000 new shares at issue price of HK\$5.50 per share. Before the acquisition, the Group was the sole distributor of pharmaceutical products for Shenzhen Watsin since April 2007. The acquisition was completed on 22 August 2007 and the results of Shenzhen Watsin was consolidated and sales of rhEGF products was accounted for as in-house bio-pharmaceutical sales from 22 August 2007. rhEGF products distributed by the Group for Shenzhen Watsin before 22 August 2007 amounted to HK\$72,188,000 was included in “distribution of third party pharmaceutical products” business segment.

- 
- (ii) Disposal of 100% equity interest in New Master Group Limited, an investment vehicle holding the packaging products, paper gifts items and promotional products operation of the Group for HK\$36 million. The disposal was completed on 30 September 2007 and as a result, the packaging products, paper gifts items and promotional products business was classified as discontinued operations.

## **Business Review**

### *Distribution of pharmaceutical products*

With the completion of the acquisition of Figures Up Trading Limited and its subsidiaries ("FUTL Group") on 14 June 2006, the Group has integrated and consolidated the later's distribution channel of biopharmaceutical products with nation wide Good Service Practice ("GSP") recognition in the PRC.

This division achieved a turnover for the period of HK\$284,846,000 with gross profit of HK\$141,204,000 for the period ended 30 September 2007. The turnover and gross profit of corresponding period was HK\$55,347,000 and HK\$25,370,000 respectively. The improvement in performance was mainly attributed to significant increase in market penetration, the increase in number of products distributed and growing demand for products distributed by the Group, the most notable being the rhEGF products distributed for Shenzhen Watsin.

### *In-house biological pharmaceutical products*

Upon the acquisition of Shenzhen Watsin, the sales of rhEGF products continued to grow and this division achieved a turnover of HK\$22,882,000 and a gross profit of HK\$22,012,000.

### *In-house chemical pharmaceutical products*

Upon the completion of acquisition of Nan Hoo Properties Limited in December 2006, the Group took advantage of its well balanced portfolio of chemical pharmaceutical products and established distribution networks. The division achieved a turnover and gross profit of HK\$51,452,000 and HK\$40,885,000 respectively for the period.

### *Packaging products, paper gifts items and promotional products business*

During the period, the Group disposed of its packaging products, paper gifts items and promotional products business for HK\$36 million, resulting in a profit on disposal of HK\$1,623,000.



The Group has been actively re-evaluating its existing business operations. The re-evaluation process includes (i) optimizing its existing business operations, (ii) studying the feasibility of downsizing or (if suitable opportunities arise) divesting its less promising business operations and (iii) exploring investment opportunities with high growth potentials to diversify the Group's business operations with an aim to improving the financial performance of the Group.

Given the sustainable economic growth of the PRC and the increase in demand for pharmaceutical and healthcare products over the past years, the Company is optimistic about the future prospects of the pharmaceutical and healthcare industry. The Company believes and considers it more realistic that, by way of (i) re-deploying more resources to expand the relatively more promising bio-science related business and (ii) disposal of the continuous loss-making printing and packaging business, the Group would result in a rationalization of its business direction and an increase in its profitability and market competitiveness.

### **Product development**

Developing and focusing its research on pharmaceutical products in the PRC, the Group has a number of new patent protected Class I & II prescription drugs in the pipeline. The Class I prescription new drugs include Recombinant Exendin-4 (rExendin-4), Recombinant Human Erythropoietin-Fc, (rhEPO-Fc) and Recombinant Thymopentin (rTP-5). The Class II prescription new drugs include Recombinant Human Parathyroid Hormone (rhPTH 1-34), and Recombinant Human Interleukin 11 (rhIL-11).

#### **rExendin-4**

With the rapid increase in population with diabetes, it is expected that in the expenditure on diabetes treatment in the PRC will increase to RMB 170 billion in 2010. Diabetes drugs are one of the fastest growing segments in the pharmaceutical market, increased by 40% in 2004 and accounting for 20% of all prescription drugs. In the PRC, the pharmaceutical market size is estimated to be about US\$23-50 billion.

rExendin-4 is a non-insulin antidiabetic treatment that stimulates the incretin pathway (a distinct mechanism of action) which is drawing attention in the medical community and have received the approval from State Food and Drug Administration in the PRC ("SFDA") for clinical trials. Phase I clinical trials started in July 2006 and completed in last financial year and Phase II clinical trials is in progress.



Classified as Class I prescription new drug and with nominal side effects, rExendin 4 stimulates the body's ability to produce insulin in response to elevated levels of blood glucose, inhibits the release of glucagon following meals and slows down the rate glucose is being absorbed into the bloodstream. This new generation drug will be an effective treatment for Type 2 diabetes.

### **rhEPO-Fc**

This medication can be used for treatment of anemia associated with renal diseases, cancer related therapies or surgical blood loss. EPO is currently commercialized by several pharmaceutical companies for a worldwide market that exceeds USD\$10 billion, and the EPO market is growing at an average annual rate of 21%. The leading participants in the EPO market include Amgen, Johnson & Johnson & Roche.

The pre-clinical trial of rhEPO-Fc has been completed and human clinical trial will commence upon approval.

### **rTP-5**

rTP-5 can be used in the treatment of chronic hepatitis B. It is well known that hepatitis is an epidemic in the PRC, especially hepatitis B. The global statistics of patients that have chronic infections with hepatitis B is around 400 million. The chronically infected population in China is about 130 million (~30% of the global infected population).

rTP-5 is a bio-medical preparation for treating chronic hepatitis B and the research progress is currently at the final stages of pre-clinical trials.

### **rhIL-11**

rhIL-11 is currently under Phase 3 clinical trials approved by the SFDA for the treatment of chemotherapy-induced thrombocytopenia and is expected to be launched by 2008. rhIL-11 is a Class II prescription new drug that stimulates human body to make platelets, which are a type of blood cell. It is suitable for patients who have received certain types of chemotherapy and is used to help prevent the number of platelets circulating in the blood from dropping dangerously low causing the patient to have difficulties in blood clotting.



rhIL-11 may reduce the need for platelet transfusions after chemotherapy. A study shows that after applying the drug to non-myelosuppressed cancer patients, platelet counts increased significantly. Upon cessation of the treatment, platelet counts continued to increase for up to 7 days then returned to baseline within 14 days. Besides treating chemotherapy-induced thrombocytopenia, rhIL-11 is also shown to have a variety of non-haematological actions such as stimulation of osteoclast development, inhibition of proliferation of adipocytes, protection of the gastrointestinal mucosa, induction of acute phase response proteins and rheumatoid arthritis.

#### **rhPTH 1-34**

Another bio-pharmaceutical product of the Group is rhPTH 1-34 which has been granted approval for Phase II clinical trials as a Class II prescription new drug. It is a type of bone-active agent that primarily works by stimulating new bone formation on quiescent bone surface that is not simultaneously undergoing remodeling. It increases bone mass to a greater degree than just filling in the bone remodeling space.

Osteoporosis is a worldwide epidemic. In 2005, the affected population in the PRC with osteoporosis is approximately 90 million (almost 8% of the country's population). The severe prevalence of this disease is partly due to the dietary habit (lack of calcium). rhPTH 1-34 has the potential to restore bone mass, bringing it back towards normal, and may reduce the risk of osteoporotic fracture more than currently available antiresorptive agents.

According to the preliminary information gathered, the daily treatment with rhPTH 1-34 is expected to reduce the risk of new vertebral fractures by about 65% and the risk of non-vertebral fractures by about 35% in the group treated with rhPTH 1-34 as compared with the group treated with placebo.

#### **Chemical medicines in pipeline**

Besides from a series of innovative bio-medicines in the pipeline, the Group also have a series of both innovative and generic chemical medicines in the pipeline. The indications of the chemical medicines include: allergic rhinitis, nausea and vomiting, Parkinson's disease, high blood pressure, obesity, lipid lowering, cough, asthma, allergy and heart failure. The research progresses are at various stages of pre-clinical and clinical trials.



### **Future Prospects**

The key growth driver for the Group is a diversified product portfolio and a low cost to high premium mix, in which the research and development (“R&D”) cost is only 3-5% of the counterparts in USA. Also, the Group aims at reaping huge profits from the huge domestic market for diabetic drugs. The Group would expect to further increase the number of distributed products and expand the sales and distribution coverage. The corporate strategy is to adopt vertical integration by integrating production process, R&D and manufacturing so as to enable the Group to become a leading player in the biotechnology industry in the PRC.

### **Liquidity and Financial Resources**

The disposal of the packaging products, paper gifts items and promotional products business for HK\$36,000,000 and the strong growth in profitability during the period has significantly strengthened the liquidity and financial resources of the Group.

At 30 September 2007, the Group’s bank deposits, bank balances and cash amounted to HK\$182,111,000 and borrowings amounted to HK\$20,000,000. At 30 September 2007, the Group has assets of approximately HK\$1,600,105,000. Current assets of the Group at 30 September 2007 amounted to approximately HK\$431,269,000 while current liabilities were HK\$175,545,000. The gearing ratio, calculated by dividing the total debts over its total assets, was 1.2%.

### **Foreign Currency Exposure**

The Group’s major interest and operations are in the PRC. The Group also contracts with suppliers for goods and services that are denominated in Renminbi. The Group does not hedge its foreign currency risks as the rate of exchange between Hong Kong dollar and Renminbi is controlled within a narrow range. However, any permanent changes in foreign exchange rates in Renminbi may have an impact on the Group’s results.

### **Pledge of Assets**

At 30 September 2007, the Group did not have assets pledged (At 31 March 2007: assets of approximately HK\$86,584,000 pledged to secure borrowing facilities of approximately HK\$58,508,000).

### **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 2006: nil).

## Employment and Remuneration Policy

At 30 September 2007, the Group employed a total of 700 employees, including approximately 660 employees in the PRC R&D and production sites and approximately 40 employees in Hong Kong. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on performance. Share options may also be granted to staff with reference to the individual's performance.

## DIRECTORS' INTERESTS IN SHARES

At 30 September 2007, the beneficial interests of the directors and their associates in the issued share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of	Name of director The Company/ associated corporation	Capacity	Number of issued ordinary shares held (L) (Note 1)	Appropriate percentage of shareholding
TONG Kit Shing	The Company	Interest of a controlled corporation (Note 2)	2,436,407,736 shares of HK\$0.10 each (Note 3)	31.00%
LIU Guoyao	The Company	Interest of a controlled corporation (Note 2)	2,436,407,736 shares of HK\$0.10 each (Note 3)	31.00%

### Notes:

1. The letter "L" denotes the person's long position in the ordinary shares and underlying shares in the Company or its associated corporation(s).
2. These shares are registered in the name of and beneficially owned by Automatic Result Limited ("Automatic Result"), which is solely and beneficially owned by Mr TONG Kit Shing whereas Mr LIU Guoyao is the sole director of Automatic Result. Both Mr TONG and Mr LIU are deemed to be interested in all the interest in shares and underlying shares in the Company held by Automatic Result by virtue of the SFO.
3. The number of shares does not take into account any shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the warrants issued by the Company as disclosed in the announcement of the Company dated 25 August 2006.





## SUBSTANTIAL SHAREHOLDERS

At 30 September 2007, shareholders (other than directors or chief executives of the Company) who had interests or short positions in the issued share capital of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company were as follows:

<b>Name</b>	<b>Capacity</b>	<b>Number of issued securities (L)</b> <i>(Note 1)</i>	<b>Appropriate percentage of shareholding</b>
Automatic Result	Beneficial owner	2,436,407,736 shares of HK\$0.10 each <i>(Note 3)</i>	31.00%
TONG Kit Shing	Interest of a controlled corporation <i>(Note 2)</i>	2,436,407,736 shares of HK\$0.10 each <i>(Note 3)</i>	31.00%
LIU Guoyao	Interest of a controlled corporation <i>(Note 2)</i>	2,436,407,736 shares of HK\$0.10 each <i>(Note 3)</i>	31.00%
World Eagle International Limited	Beneficial owner <i>(Note 4)</i>	486,500,000 shares of HK\$0.10 each <i>(Note 3)</i>	6.19%
Ming Kar Fook, Charles	Interest of a controlled corporation <i>(Note 4)</i>	486,500,000 shares of HK\$0.10 each <i>(Note 3)</i>	6.19%



*Notes:*

1. The letter "L" denotes the person's long position in the ordinary shares of the Company.
2. Automatic Result is solely and beneficially owned by Mr TONG Kit Shing whereas Mr LIU Guoyao is the sole director of Automatic Result. Accordingly, each of Mr TONG and Mr LIU is, by virtue of the SFO, deemed to be interested in all the shares and underlying shares in the Company in which Automatic Result is interested.
3. The number of Shares does not take into account any Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the warrants issued by the Company as disclosed in the announcement of the Company dated 25 August 2006.
4. World Eagle International Limited is solely and beneficially owned by Mr. Ming Kar Fook, Charles. Accordingly, Mr. Ming is, by virtue of the SFO, deemed to be interested in all the shares and underlying shares in the Company in which World Eagle International Limited is interested.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2007.

## **PURCHASE, SALES OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the period under review.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2007, save for the deviation that the independent non-executive Directors are not appointed for specific terms pursuant to paragraph A.4.1 of the Code. Notwithstanding the aforesaid deviation, all the Directors (including the non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meeting in compliance with the Company's Articles of Association.



## COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2007.

## AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited consolidated accounts for the six months ended 30 September 2007 with the Directors.

## PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

This interim report is published on the website of The Stock Exchange of Hong Kong Limited [www.hkex.com.hk](http://www.hkex.com.hk).

By Order of the Board  
**Mr. Tong Kit Shing**  
*Chairman*

Hong Kong, 28 December 2007

At the date of this report, the board of directors of the Company comprises:

*Executive directors:*

Tong Kit Shing (*Chairman*)  
Liu Guoyao  
Cheng Wai Man

*Independent non-executive directors:*

Zhou Yaoming  
Lin Jian  
So Yin Wai