



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

*For identification purposes only

INTERIM REPORT 2008

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

Hopkins CPA Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1502, 15/F, AXA Centre
No. 151 Gloucester Road, Wan Chai
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.,
Hong Kong Branch
Fubon Bank (Hong Kong) Limited

STOCK CODE

0690

WEBSITE

www.uni-bioscience.com

The Interim Report is printed on environmentally friendly paper.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		Unaudited	
		Six months ended	
		30 September	
		2008	2007
	<i>Note</i>	HK\$'000	HK\$'000
Continuing Operations:			
Turnover	3	357,499	359,180
Cost of sales		(136,541)	(155,079)
Gross profit		220,958	204,101
Other revenues		134	1,367
Distribution costs		(61,757)	(15,590)
Administrative expenses		(104,508)	(39,904)
Impairment loss of trade receivables		(20,123)	–
Impairment loss of goodwill		(193,626)	–
Impairment loss of other receivables, deposits and prepayments		(102,840)	–
Operating (loss)/profit		(261,762)	149,974
Finance costs		(311)	(1,958)
(Loss)/profit before income tax		(262,073)	148,016
Income tax	6	(24,645)	(61,979)
(Loss)/profit for the period from continuing operations		(286,718)	86,037
Discontinued Operations:			
Profit for the period from discontinued operations		–	3,478
(Loss)/profit for the period	4	(286,718)	89,515
Attributable to:			
Equity holders of the Company		(286,718)	89,515
Minority interests		–	–
		(286,718)	89,515
		HK cents	HK cents
(Loss)/earnings per share	8		
From continuing and discontinued operations			
Basic		(3.53)	1.21
Diluted		(3.52)	1.17
From continuing operations			
Basic		(3.53)	1.17
Diluted		(3.52)	1.13

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2008

		Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
	<i>Note</i>		
Non-current assets			
Goodwill		379,926	573,552
Property, plant and equipment		348,151	353,840
Investment properties		5,409	5,277
Leasehold land and land use rights held for own use		28,054	28,144
Intangible assets		343,304	358,896
Interests in an associate		9,979	9,979
		1,114,823	1,329,688
Current assets			
Leasehold land and land use rights held for own use		1,062	1,036
Inventories		9,101	9,115
Trade receivables	9	184,525	209,033
Other receivables, deposits and prepayments		217,559	278,823
Cash and cash equivalents		27,259	38,353
		439,506	536,360
Current liabilities			
Trade payables	10	39,861	48,588
Accrued charges and other payables		61,077	86,223
Tax payable		15,753	60,979
Amounts due to directors		5,206	3,007
Other loan		10,000	10,000
		131,897	208,797
Net current assets		307,609	327,563
Total assets less current liabilities		1,422,432	1,657,251

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

At 30 September 2008

		Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
	<i>Note</i>		
NET ASSETS		<u>1,422,432</u>	<u>1,657,251</u>
CAPITAL AND RESERVES			
Share capital	11	817,364	804,069
Reserves		<u>605,068</u>	<u>853,182</u>
Total equity attributable to equity shareholders of the Company		1,422,432	1,657,251
Minority interests		<u>-</u>	<u>-</u>
TOTAL EQUITY		<u>1,422,432</u>	<u>1,657,251</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Unaudited	
	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities, including discontinued operations	(30,801)	119,057
Net cash (used in)/generated from investing activities, including discontinued operations	(20,138)	28,201
Net cash generated from financing activities, including discontinued operations	39,845	936
(Decrease)/increase in cash and cash equivalents	(11,094)	148,194
Cash and cash equivalents at 1 April	38,353	33,917
Cash and cash equivalents at 30 September	27,259	182,111
Analysis of balances of cash and cash equivalents: Bank balances and cash	27,259	182,111

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Unaudited									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory surplus reserve HK\$'000	Share based payments reserve HK\$'000	Exchange reserve HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Sub-total HK\$'000	Minority interest HK\$'000	Total HK\$'000
At 1 April 2008	804,069	488,038	(267)	6,289	22,061	96,801	240,260	1,657,251	-	1,657,251
Issue of share										
- exercise of share option	13,295	16,340	-	-	-	-	-	29,635	-	29,635
- transfer from share based payments reserve	-	10,211	-	-	(10,211)	-	-	-	-	-
Exchange rate on translation of financial statements of overseas subsidiaries	-	-	-	-	-	22,264	-	22,264	-	22,264
Loss attributable to shareholders	-	-	-	-	-	-	(286,718)	(286,718)	-	(286,718)
At 30 September 2008	<u>817,364</u>	<u>514,589</u>	<u>(267)</u>	<u>6,289</u>	<u>11,850</u>	<u>119,065</u>	<u>(46,458)</u>	<u>1,422,432</u>	<u>-</u>	<u>1,422,432</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

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	Share-based payments 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 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	785,869	451,692	3,475	6,289	29,032	-	16,808	-	131,395	1,424,560	-	1,424,560

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 biopharmaceutical products through recombinant DNA and other technologies). 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 2008 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 39 & HKFRS 7 (Amendments) Reclassification of financial assets
- HK(IFRIC) – INT 12 Service concession arrangements
- HK(IFRIC) – INT 14 HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

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

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

• HKFRSs (Amendments)	Improvements to HKFRSs ¹
• HKAS 1 (Revised)	Presentation of financial statements ²
• HKAS 23 (Revised)	Borrowing costs ²
• HKAS 27 (Revised)	Consolidated and separate financial statements ³
• HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ²
• HKAS 39 (Amendment)	Eligible hedged items ³
• HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity of associates ²
• HKFRS 2 (Amendment)	Vesting conditions and cancellations ²
• HKFRS 3 (Revised)	Business combinations ³
• HKFRS 8	Operating segments ²
• HK (IFRIC) – INT 13	Customer loyalty programmes ⁴
• HK (IFRIC) – INT 15	Agreements for the construction of real estate ²
• HK (IFRIC) – INT 16	Hedges of a net investment in a foreign operation ⁵

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for financial period commencing on or after 1 January 2009

³ Effective for financial period commencing on or after 1 July 2009

⁴ Effective for financial period commencing on or after 1 July 2008

⁵ Effective for financial period commencing on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company (the "Director") are in the process of assessing the potential impact and so far concluded that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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 2008			
	Distribution of third party pharmaceutical products <i>HK\$'000</i>	In-house chemical pharmaceutical products <i>HK\$'000</i>	In-house biological pharmaceutical products <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	<u>184,129</u>	<u>38,659</u>	<u>134,711</u>	<u>357,499</u>
Segment results	73,642	26,621	120,695	220,958
Other revenue				134
Distribution costs				(61,757)
Administrative expenses				(104,508)
Impairment loss of trade receivables				(20,123)
Impairment loss of goodwill				(193,626)
Impairment loss of other receivables, deposits and prepayments				<u>(102,840)</u>
Operating loss				(261,762)
Finance costs				<u>(311)</u>
Loss before income tax				(262,073)
Income tax				<u>(24,645)</u>
Loss for the period				<u><u>(286,718)</u></u>

3. Segment information (continued)

Primary reporting format – business segments (continued)

	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 loss of inventories				–	(1,950)	(1,950)
Operating profit				149,974	7,483	157,457
Finance costs				(1,958)	(4,005)	(5,963)
Profit before income tax				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)

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 2008 (unaudited)

	Turnover			Segment results			Total assets		
	Continuing operations HK\$'000	Discontinued operations HK\$'000	Consolidated HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000	Consolidated HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000	Consolidated HK\$'000
Hong Kong	-	-	-	-	-	-	48,783	-	48,783
PRC	357,361	-	357,361	220,834	-	220,834	1,505,546	-	1,505,546
Other countries	138	-	138	124	-	124	-	-	-
	<u>357,499</u>	<u>-</u>	<u>357,499</u>	<u>220,958</u>	<u>-</u>	<u>220,958</u>	<u>1,554,329</u>	<u>-</u>	<u>1,554,329</u>
Unallocated income				134	-	134			
Unallocated costs				(166,265)	-	(166,265)			
				<u>54,827</u>	<u>-</u>	<u>54,827</u>			
Finance costs				(311)	-	(311)			
Impairment loss of trade receivables				(20,123)	-	(20,123)			
Impairment loss of goodwill				(193,626)	-	(193,626)			
Impairment loss of other receivables, deposits and prepayments				(102,840)	-	(102,840)			
				<u>(262,073)</u>	<u>-</u>	<u>(262,073)</u>			
Loss before income tax				(262,073)	-	(262,073)			
Income tax				(24,645)	-	(24,645)			
				<u>(286,718)</u>	<u>-</u>	<u>(286,718)</u>			
Loss for the period				<u>(286,718)</u>	<u>-</u>	<u>(286,718)</u>			

3. Segment information (continued)

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 costs				(1,958)	(4,005)	(5,963)			
Gain on disposal of discontinued operations				-	1,623	1,623			
Impairment loss of inventories				-	(1,950)	(1,950)			
Profit before income tax				<u>148,016</u>	<u>3,478</u>	<u>151,494</u>			
Income tax				<u>(61,979)</u>	<u>-</u>	<u>(61,979)</u>			
Profit for the period				<u>86,037</u>	<u>3,478</u>	<u>89,515</u>			

4. (Loss)/profit for the period

(Loss)/profit for the period is stated after the following:

	Unaudited Six months ended 30 September					
	Continuing operations		Discontinued operations		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
After charging:						
Cost of inventories sold	136,541	155,079	-	45,030	136,541	200,109
Depreciation of fixed assets						
– owned assets	16,770	15,235	-	2,497	16,770	17,732
– assets held under finance leases	-	-	-	1,569	-	1,569
Impairment loss of inventories	-	-	-	1,950	-	1,950
Impairment loss of trade receivables	20,123	-	-	-	20,123	-
Impairment loss of goodwill	193,626	-	-	-	193,626	-
Impairment loss of other receivables, deposits and prepayments	102,840	-	-	-	102,840	-

5. Staff costs

	Unaudited Six months ended 30 September					
	Continuing operations		Discontinued operations		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Wages	9,841	5,630	-	2,123	9,841	7,753
Pension costs – defined contribution plans	48	56	-	69	48	125
	9,889	5,686	-	2,192	9,889	7,878

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	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	-	-	-	-	-	-
Taxation in other jurisdictions	24,645	61,979	-	-	24,645	61,979
Deferred taxation	-	-	-	-	-	-
	<u>24,645</u>	<u>61,979</u>	<u>-</u>	<u>-</u>	<u>24,645</u>	<u>61,979</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the six months ended 30 September 2008. 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.

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:

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

7. Discontinued operations (continued)

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

	Unaudited 30 September 2007 HK\$'000
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	<hr/> 1,623
Total consideration	<hr/> <hr/> 35,592
Satisfied by:	
Cash	36,000
Expenses incurred	(408)
	<hr/> 35,592
Net cash inflow arising on disposal:	
Net cash consideration	35,592
Bank overdrafts disposed of	4,773
	<hr/> <hr/> 40,365

8. (Loss)/earnings per share

(i) From continuing and discontinued operations

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

	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
(Loss)/profit:		
(Loss)/profit for the period attributable to equity holders of the Company for the purpose of basic and diluted (loss)/earnings per share	(286,718)	89,515
	2008	2007
	(Note)	(Note)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	8,125,081,577	7,372,217,188
Effect of dilutive potential ordinary shares		
– Share options	21,392,000	261,197,566
– Warrants	–	11,887,460
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	8,146,473,577	7,645,302,214

8. (Loss)/earnings per share (continued)

(ii) From continuing operations

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

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
(Loss)/profit:		
(Loss)/profit for the period attributable to equity holders of the Company	(286,718)	89,515
Less: Loss for the period from discontinued operations attributable to equity holders of the Company	-	(3,478)
	<hr/>	<hr/>
(Loss)/profit for the purpose for calculating basic and diluted (loss)/earnings per share from continuing operations	(286,718)	86,037
	<hr/> <hr/>	<hr/> <hr/>
	2008	2007
	(Note)	(Note)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	8,125,081,577	7,372,217,188
Effect of dilutive potential ordinary shares		
- Share options	21,392,000	261,197,566
- Warrants	-	11,887,460
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	8,146,473,577	7,645,302,214
	<hr/> <hr/>	<hr/> <hr/>

9. Trade receivables

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

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Within 30 days	63,031	73,289
31 – 60 days	39,267	45,983
61 – 90 days	22,352	39,278
Over 90 days	89,390	59,875
	<hr/>	<hr/>
	214,040	218,425
Less: Provision for impairment of receivables	(29,515)	(9,392)
	<hr/>	<hr/>
	184,525	209,033
	<hr/> <hr/>	<hr/> <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:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Current – 30 days	6,326	7,539
31 – 60 days	20,105	25,426
61 – 90 days	7,231	8,524
Over 90 days	6,199	7,099
	<hr/>	<hr/>
	39,861	48,588
	<hr/> <hr/>	<hr/> <hr/>

11. Share capital

	Number of shares '000	Par value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 1 April 2007	2,000,000	200,000
Increase in authorized capital (<i>Note a</i>)	48,000,000	4,800,000
	<hr/>	<hr/>
Ordinary shares of HK\$0.10 each at 31 March 2008 and 30 September 2008	<u>50,000,000</u>	<u>5,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 1 April 2007	1,004,000	100,400
Issue of shares upon conversion of convertible bonds on 25 June 2007 (<i>Note b</i>)	64,000	6,400
Issue of shares upon exercise of warrants (<i>Note c</i>)	1	1
Issue of shares upon exercise of options (<i>Note d</i>)	18,000	1,800
Issue of shares for the acquisition of subsidiaries (<i>Note e</i>)	36,670	3,667
Issue of bonus shares (<i>Note f</i>)	6,736,021	673,601
Issue of shares upon exercise of options (<i>Note g</i>)	<u>182,000</u>	<u>18,200</u>
At 31 March 2008, ordinary shares of HK\$0.10 each	8,040,692	804,069
Issue of shares upon exercise of options (<i>Note h</i>)	<u>132,950</u>	<u>13,295</u>
At 30 September 2008, ordinary shares of HK\$0.10 each	<u>8,173,642</u>	<u>817,364</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 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.
- (c) During the year ended 31 March 2008, 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.
- (d) 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.
- (e) 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.
- (f) 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.
- (g) On 22 February 2008, the Company allotted and issued 182,000,000 ordinary shares of HK\$0.10 each upon exercise of options at a subscription price of HK\$0.2229 per share.
- (h) During the six months ended 30 September 2008, the Company allotted and issued 132,950,000 ordinary shares of HK\$0.10 each upon exercise of options at a subscription price of HK\$0.2229 per share.
- (i) All new shares issued during the year ended 31 March 2008 and for the six months ended 30 September 2008 rank pari passu with the existing shares in all material respects.

12. Share options

Under the share option scheme (the "2001 Scheme") approved by the shareholders on 22 October 2001, the directors of the Company may, as its discretion, invite directors and employees of the Group to take up options to subscribe for shares in the Company representing up to 30 per cent of the issued share capital of the Company from time to time.

The subscription price for the shares in relation to options to be granted under the 2001 Scheme shall be determined by the Board and shall be at least the highest of (i) the nominal value of shares of the Company; (ii) the closing price of shares on the date of grant (the "Offer Date"); and (iii) the average closing price of the shares for the five business days immediately preceding the Offer Date. The options are exercisable within 10 years from the Offer Date.

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

Under the 2006 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 contribute to the long-term growth and profitability of the Company. Eligible Participants include (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 director (including independent non-executive director) 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 class of participants who has 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 5 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 10 years from the date of adoption of the 2006 Scheme.

12. 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 2006 Scheme and any other schemes of the Group (excluding options lapsed in accordance with the terms of the 2006 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 2006 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 2006 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 2006 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 2006 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. The share options are vested immediately on the date of grant.

Details of the share option movements during the period ended 30 September 2008 under the 2001 Scheme and 2006 Scheme are as follows:

	Number of share options				Outstanding at 30 Sept 2008 '000	Exercise price HK\$	Date of grant	Exercise period	Remaining contractual life
	Outstanding at 1 April 2008 '000	Granted during the period '000	Exercised during the period '000	Lapsed during the period '000					
Employees	196,000	-	(132,950)	-	63,050	0.2229	19 June 2006	19 June 2006 to 21 October 2011	3.06 years
Employees	13,658	-	-	-	13,658	0.512	28 January 2008	28 January 2008 to 21 September 2016	7.98 years
Other	36,342	-	-	-	36,342	0.512	28 January 2008	28 January 2008 to 21 September 2016	7.98 years
	<u>246,000</u>	<u>-</u>	<u>(132,950)</u>	<u>-</u>	<u>113,050</u>				

13. Warrants

Movement of warrants for the period ended 30 September 2008 is set out below:

Amount of warrants outstanding	HK\$'000
Balance at 1 April 2008	867,999
Lapsed during the period	(867,999)
	<hr/>
Balance at 30 September 2008	–
	<hr/> <hr/>

14. Commitments under operating leases

At 30 September 2008, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Within 1 year	1,465	763
After 1 year but within 5 years	1,101	2,057
	<hr/>	<hr/>
	2,566	2,820
	<hr/> <hr/>	<hr/> <hr/>

15. Capital commitments

At 30 September 2008, the Group had capital commitments in respect of purchase of plant and equipment, technical know how and renovation of HK\$12,607,000 (At 31 March 2008: HK\$29,684,000).

16. 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 2007: Nil).

17. 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\$357,499,000 representing a decrease of 0.5% compared with HK\$359,180,000 recorded in the last corresponding period. The gross profit was HK\$220,958,000 (for the six months ended 30 September 2007: HK\$204,101,000) representing an increase of 8% as compared with the corresponding period of last year. The Group recorded a net loss of approximately HK\$286,718,000 for the six months ended 30 September 2008 compared to a net profit of approximately HK\$89,515,000 in the corresponding period in 2007.

Business Review and Prospect

During the first half of 2008/2009 under review, the healthcare reform in the People's Republic of China (the "PRC") continues and the PRC healthcare industry continues to grow. However, the Group continued to face challenges of surging material and operating costs, and increasing competition. The economic conditions have recently been deteriorating significantly in many countries and regions, including the PRC, and may remain depressed for prolonged periods. In order to tackle the prolonged turmoil noted in the financial market which has adversely affected, and is expected to continue to affect, the real economy, we have adopted a more prudent business and financial management policy to ensure that we maintain adequate working capital to finance our operations. The Group also decided to suspend the development of its chemical pharmaceutical products in pipeline and concentrate its resources in developing its pipeline of innovative biological pharmaceutical products which are more promising.

Because of the foregoing, impairment loss of trade receivables of HK\$20,123,000; impairment loss of goodwill of HK\$193,626,000; and impairment loss of other receivables, deposits and prepayments of HK\$102,840,000 were recognized as a result of re-assessment of the Group's assets portfolio as of 30 September 2008 for the purpose of the interim report.

Despite these challenges, the Group has continuously strengthened its management team which has been committed to rationalizing and re-engineering its work flow and processes to reduce costs and increase efficiency. Moreover, the government of the PRC has recently announced an array of policies, including a loosening of credit restrictions and stimulation of domestic consumption to drive up the GDP growth. Although these new policies have not yet had a material impact on our operations, it may help to release certain negative impact on our operations in the future. In the long run, the Group is optimistic that the business opportunities in the pharmaceutical and healthcare industry in the PRC will remain buoyant given the increasing income and health awareness of the mainland population.

Distribution of pharmaceutical products

This division achieved a turnover for the period of HK\$184,129,000 with gross profit of HK\$73,642,000 for the period ended 30 September 2008. The turnover and gross profit of corresponding period was HK\$284,846,000 and HK\$141,204,000 respectively. The decrease was mainly due to increasing competition and the Group exercised tighter credit control over customers. Sales of rhEGF products distributed for Shenzhen Watsin Genetech Company Limited (“Shenzhen Watsin”), acquired in August 2007, was also classified under “in-house biological pharmaceutical products” in the current fiscal period.

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\$134,711,000 and a gross profit of HK\$120,695,000 for the period ended 30 September 2008. The turnover and gross profit of corresponding period was HK\$22,882,000 and HK\$22,012,000 respectively.

In-house chemical pharmaceutical products

This division achieved a turnover for the period of HK\$38,659,000 with gross profit of HK\$26,621,000 for the period ended 30 September 2008. The turnover and gross profit was HK\$51,452,000 and HK\$40,885,000 respectively for the corresponding period. The decrease was mainly due to increase in competition and the Group’s strategy to focus its marketing efforts on biological pharmaceutical products on sale and in pipeline which, the Group believe, are more promising.

Research Platforms

The Group has developed several pharmaceutical R&D technology platforms, which include E.coli expression system, Pichia Yeast expression system, Mammalian cell expression system, E.coli constitutive secretion system, Gene therapy drug development system, Gene targeting system and Chemical medicines development system.

E.coli, Pichia Yeast and Mammalian cell expression system

The Group has established gene cloning, genetic engineering expression, fermentation, purification and examination technology systems. These systems exhibit the characteristics of high efficiency, high flux and high stability. With a series of B. Braun’s bioreactors from 2L~50L, the Group may carry on the pilot scale protein preparation. Each time of fermentation may produce up to ten thousand lyophilized injection products. At the same time, mainly by making use of the AKTA liquid chromatography separation system, the Group has established the high flux two steps standard operating procedure for protein purification. With this standard method, the protein purity after purification is up to 98 percent, which is higher than the official standard in the PRC.

E.coli constitutive secretion system

The Group are in the process of developing a revolutionary E.coli expression system, whereby the fermentation process could be self promulgated without using the standard promoters. This process, if successful, is expected to improve tremendously the yield that can normally be produced under the traditional fermentation process. Since most of the fermentation process uses E.coli expression system, this new platform could provide significant value for the Group.

Gene therapy drug development system

Adenovirus becomes one of the most important gene carrier systems because of so many important characteristics such as its clear structure and function. The Group has established an entire set of recombinant adenovirus technology, such as recombinant virus construction, transfection, monoclonal preparation, as well as highly effective cell packing. At present, the Group's independently developed adenovirus product is at the stage of animal experimentation.

Gene targeting system

Gene targeting system has already produced more than five hundred different mouse models of human disorders, including cardiovascular and neuro-degenerative diseases, diabetes and cancer. Gene targeting has now been used by many research groups. Three scientists with great contribution in this area were the winners of 2007 Nobel Laureates. The Group has already reconstructed a gene-targeted *Bacillus licheniformis* producing EGF by this technique. The Group can use gene-targeted *Bacillus licheniformis* cells as vehicles to introduce genetic material into the human body, and the gene-targeted *Bacillus licheniformis* carrying various health genes could be established directly from this gene-targeting technique in the near future.

Chemical medicines development system

This system is capable of designing, synthesizing and analyzing various small molecular chemical drugs and can prepare various new pharmaceutical delivery systems such as orally disintegrating tablets, soft capsules, ophthalmic gel, lyophilized powders and small dripping solutions. There are additional systems in which the Group has invested which improved the R&D capabilities and reduce the cost of production of the chemical medications.

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), Recombinant Thymopentin (rTP-5) which has been changed to cyclic Thymopentin (cTP-5). The Class II prescription new drugs include Recombinant Human Parathyroid Hormone 1-34 (rhPTH 1-34) and Recombinant Human Interleukin 11 (rhIL-11).

rExendin-4

With the rapid increase in population with diabetes, it is expected that the expenditure on diabetes treatment in the PRC will increase significantly in the years ahead. The demand for diabetes drugs are one of the fastest growing segments in the pharmaceutical market, increased by approximately 40% when compared to in 2004 and accounting for approximately 20% of all prescription drugs in the global markets. In the PRC, the size of pharmaceutical market is estimated to be about US\$23-50 billion.

rExendin-4 is a non-insulin antidiabetic treatment candidate that stimulates the incretin pathway (a distinct mechanism of action) which is drawing attention in the medical community and has 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, Phase II clinical trials were also completed by the end of 2008. The Group is actively preparing for the commencement of Phase III clinical trials in early 2009.

Classified as Class I prescription new drug 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 at which glucose is being absorbed into the bloodstream. This new generation drug will be an effective treatment for Type 2 diabetes and is the only class of diabetic drugs that causes weight loss, the first of its kind to be in the PRC. Furthermore, the Group is in the process of investigating the long acting version.

rhEPO-Fc

This medication candidate 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 USD12 billion, and the EPO market is growing at an average annual rate of 21%.

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

cTP-5 (previously known as rTP-5)

rTP-5 has been converted to cTP-5 as a class I chemical drug candidate for 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).

cTP-5 is a chemical medical preparation for treating chronic hepatitis B and the research progress is currently at the final stages of pre-clinical trials. After stages of research and experiments, the Group is able to synthesize cTP-5 at a much lower cost than that of rTP-5 with similar effectiveness. Since most biopharmaceuticals products are bigger in size, the cost in production is much higher using the chemical method. However cTP-5 is only 5 amino acids in length, whereas most biopharmaceuticals are from 30 to 150 amino acids in length.

LFA3-Fc

LFA3-Fc is a Class I biopharmaceutical candidate for the treatment of psoriasis. The current treatment for psoriasis is suppression – orientated, but LFA3-Fc offers a potential cure for psoriasis. This is currently in the early 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 2009.

rhIL-11 is a Class II prescription new drug candidate that stimulates human body to make platelets, which is 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 to dangerously low level which can cause 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 nonmyelosuppressed 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 candidate of the Group, namely rhPTH 1-34 (a Class II prescription new drug) has its Phase II clinical trial completed by the end of 2008. The Group is actively preparing for the commencement of Phase III clinical trial in early 2009. rhPTH 1-34 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 instead of 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 the currently available antiresorptive agents.

According to the preliminary information gathered, a group which is treated daily 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% as compared with another group treated with placebo.

Liquidity and Financial Resources

At 30 September 2008, the Group's bank deposits, bank balances and cash amounted to HK\$27,259,000 and borrowings amounted to HK\$10,000,000. At 30 September 2008, the Group has assets of approximately HK\$1,554,329,000. Current assets of the Group at 30 September 2008 amounted to approximately HK\$439,506,000 while current liabilities were HK\$131,897,000. The gearing ratio, calculated by dividing the total debts over its total assets, was 0.6%.

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 2008, the Group did not have assets pledged (At 31 March 2008: Nil).

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 2007: nil).

Employment and Remuneration Policy

At 30 September 2008, the Group employed a total of 600 staff, including approximately 80 staff in the PRC R&D centres, approximately 300 staff in total in the PRC sales offices, approximately 200 staff in the PRC production sites and approximately 10 staff 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 2008, 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 director	Name of 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)	2,454,407,736 shares of HK\$0.10 each	30.03%
LIU Guoyao	The Company	Interest of a controlled corporation (Note 2)	2,454,407,736 shares of HK\$0.10 each	30.03%

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.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2008, 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:

Name	Capacity	Number of issued securities (L) (Note 1)	Appropriate percentage of shareholding
Automatic Result	Beneficial owner	2,454,407,736 shares of HK\$0.10 each	30.03%

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.

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 2008.

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 2008, 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 2008.

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 2008 with the Directors.

By Order of the Board
Mr. Tong Kit Shing
Chairman

Hong Kong, 29 December 2008

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