

# 2009

Interim Report



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

## **CORPORATE INFORMATION**

### **EXECUTIVE DIRECTORS**

Mr. TONG Kit Shing (*Chairman*)  
Mr. LIU Guoyao

### **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. SO Yin Wai  
Mr. ZHOU Yaoming  
Mr. LIN Jian

### **NOMINATION COMMITTEE**

Mr. TONG Kit Shing  
Mr. SO Yin Wai  
Mr. ZHOU Yaoming  
Mr. LIN Jian

### **CHIEF EXECUTIVE OFFICER**

Mr. LIU Guoyao

### **COMPANY SECRETARY**

Mr. Goldman LEE, *CPA*

### **AUTHORIZED REPRESENTATIVES**

Mr. TONG Kit Shing  
Mr. LIU Guoyao

### **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**

13/F, Public Bank Centre,  
120 Des Voeux Road Central,  
Central, Hong Kong.

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

HSBC Trustee (Cayman) Limited  
PO Box 484,  
HSBC House,  
68 West Bay Road,  
Grand Cayman,  
KY1-1106,  
Cayman Islands.

### **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**

Leung & Lau

### **PRINCIPAL BANKERS**

Bank of Communications Co., Ltd.,  
Hong Kong Branch  
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 2009

		Unaudited Six months ended 30 September	
	Notes	2009 HK\$'000	2008 HK\$'000
<b>Turnover</b>	3	<b>82,057</b>	357,499
Cost of sales		<u>(31,829)</u>	<u>(136,541)</u>
<b>Gross profit</b>		<b>50,228</b>	220,958
Other revenues		350	134
Distribution costs		(20,439)	(61,757)
Administrative expenses		(290,170)	(104,508)
Impairment loss of trade receivables		–	(20,123)
Impairment loss of intangible assets		(35,940)	–
Impairment loss of goodwill		–	(193,626)
Impairment loss of other receivables, deposits and prepayments		<u>(3,295)</u>	<u>(102,840)</u>
<b>Operating loss</b>		<b>(299,266)</b>	(261,762)
Finance costs		<u>(1,268)</u>	<u>(311)</u>
<b>Loss before income tax</b>		<b>(300,534)</b>	(262,073)
Income tax	6	<u>(4,019)</u>	<u>(24,645)</u>
<b>Loss for the period</b>	4	<b><u>(304,553)</u></b>	<u>(286,718)</u>
<b>Attributable to:</b>			
Equity holders of the Company		<u>(304,553)</u>	<u>(286,718)</u>
		<b>HK cents</b>	<b>HK cents (Restated)</b>
<b>Loss per share – Basic</b>	7	<b><u>(23.8)</u></b>	<u>(25.8)</u>
<b>Loss per share – Diluted</b>	7	<b><u>(23.8)</u></b>	<u>(25.7)</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

	(Unaudited)	
	Six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
<b>Loss for the period</b>	<b>(304,553)</b>	(286,718)
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	<u>425</u>	<u>22,264</u>
<b>Total comprehensive loss for the period</b>	<b><u>(304,128)</u></b>	<u>(264,454)</u>
<b>Total comprehensive loss attributable to: Equity holders of the Company</b>	<b><u>(304,128)</u></b>	<u>(264,454)</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2009

	Unaudited 30 September 2009	Audited 31 March 2009
Note	HK\$'000	HK\$'000
<b>Non-current assets</b>		
Goodwill	379,926	379,926
Leasehold land and land use rights held for own use	22,809	23,718
Property, plant and equipment	391,800	417,822
Investment property	4,920	4,920
Intangible assets	258,328	318,610
Investment in associates	13,957	9,980
	<u>1,071,740</u>	<u>1,154,976</u>
<b>Current assets</b>		
Leasehold land and land use rights held for own use	1,641	1,641
Inventories	10,419	8,570
Trade receivables	79,143	161,307
Other receivables, deposits and prepayment	100,643	71,088
Cash and cash equivalents	62,755	50,009
	<u>254,601</u>	<u>292,615</u>
<b>Current liabilities</b>		
Trade payables	17,716	18,147
Accrued charges and other payables	93,075	55,985
Tax payable	2,244	20,294
Amount due to a director	5,234	12,072
Bank loans	26,534	26,705
Other Loan	-	10,000
	<u>144,803</u>	<u>143,203</u>
<b>Net current assets</b>	<u>109,798</u>	<u>149,412</u>
<b>Total assets less current liabilities</b>	<b>1,181,538</b>	<b>1,304,388</b>
<b>Non-current liabilities</b>		
Bank loans	15,341	15,341
<b>Net Assets</b>	<u>1,166,197</u>	<u>1,289,047</u>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 September 2009

		<b>Unaudited</b> <b>30 September</b> <b>2009</b> <b>HK\$'000</b>	Audited 31 March 2009 HK\$'000
	<i>Note</i>		
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	10	<b>13,048</b>	869,898
Reserves		<b><u>1,153,149</u></b>	<u>419,149</u>
<b>Total Equity</b>		<b><u>1,166,197</u></b>	<u>1,289,047</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2009

	(Unaudited)	
	Six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
Net cash used in operating activities	<u>(117,558)</u>	<u>(30,801)</u>
Net cash used in investing activities	<u>(4,508)</u>	<u>(20,138)</u>
Net cash generated from financing activities	<u>134,812</u>	<u>39,845</u>
Increase/(decrease) in cash and cash equivalents	12,746	(11,094)
Cash and cash equivalents at 1 April	<u>50,009</u>	<u>38,353</u>
Cash and cash equivalents at 30 September	<u>62,755</u>	<u>27,259</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<u>62,755</u>	<u>27,259</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

	Attributable to equity holders of parent company								
	Share Capital HK\$'000	Share Premium HK\$'000	Capital reserve HK\$'000	Statutory surplus HK\$'000	Share based payments reserve HK\$'000	Capital reorganisation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK'000
At 1 April 2008 (Audited)	804,069	488,038	(267)	6,289	22,061	-	96,801	240,260	1,657,251
Total comprehensive income/ (expenses) for the period	-	-	-	-	-	-	22,264	(286,718)	(264,454)
Issue of shares									
- exercise of share option	13,295	16,340	-	-	-	-	-	-	29,635
- transfer from share based payments reserve	-	10,211	-	-	(10,211)	-	-	-	-
	13,295	26,551	-	-	(10,211)	-	-	-	29,635
At 30 September 2008 (Unaudited)	817,364	514,589	(267)	6,289	11,850	-	119,065	(46,458)	1,422,432
At 1 April 2009 (Audited)	869,898	540,855	(267)	6,289	11,851	-	128,484	(268,063)	1,289,047
Total comprehensive income/ (expenses) for the period	-	-	-	-	-	-	425	(304,553)	(304,128)
Issue of shares									
- open offer	144,982	-	-	-	-	-	-	-	144,982
- bonus issue	289,966	(289,966)	-	-	-	-	-	-	-
Equity settled share-base payment transaction	-	-	-	-	36,296	-	-	-	36,296
Capital re-organisation	(1,291,798)	-	-	-	-	1,291,798	-	-	-
	(856,850)	(289,966)	-	-	36,296	1,291,798	-	-	181,278
At 30 September 2009 (Unaudited)	13,048	250,889	(267)	6,289	48,147	1,291,798	128,909	(572,616)	1,166,197





## 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.

### 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 2009 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.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Embedded Derivatives

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

HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

Apart from the above, the HKICPA has issued Improvements to HKFRSs\* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wordings. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

\* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

Except for HKFRS 8 and HKAS 1 (Revised) giving rise to new accounting policies and additional disclosure as further described below, the adoption of the new interpretations and amendments has had no significant effect on these condensed consolidated interim financial statements.

### (a) *HKFRS 8 Operating Segments*

HKFRS 8, which replaces HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The adoption of HKFRS 8 does not lead to change in identification of the Group's reportable segments.

### (b) *HKAS 1 (Revised) Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognized in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements.



### 3. Segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has three reportable segments. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's reportable segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other reportable segments.

- (a) Distribution of third party pharmaceutical products – Distribution of third party pharmaceutical products.
- (b) In-house chemical pharmaceutical products – Manufacture and sale of in-house chemical pharmaceutical products.
- (c) In-house biological pharmaceutical products – Manufacture and sale of in-house biological pharmaceutical products.

### 3. Segment information (continued)

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

For the six months ended 30 September 2009 (unaudited)

	Distribution of third party pharmaceutical products HK\$'000	In-house chemical pharmaceutical products HK\$'000	In-house biological pharmaceutical products HK\$'000	Group HK\$'000
Revenue from external customers	<u>27,051</u>	<u>8,836</u>	<u>46,170</u>	<u>82,057</u>
Segment result – gross	9,157	4,769	36,302	50,228
Operating income and expenses	(5,989)	(30,494)	(230,592)	(267,075)
Impairment loss of trade receivables	-	-	-	-
Impairment loss of goodwill	-	-	-	-
Impairment loss of other receivables, deposits and prepayments	-	(1,931)	(1,364)	(3,295)
Impairment loss of intangible assets	-	(170)	(35,770)	(35,940)
Segment results	<u>3,168</u>	<u>(27,826)</u>	<u>(231,424)</u>	<u>(256,082)</u>
Unallocated income and expenses				<u>(43,184)</u>
Operating loss				(299,266)
Finance costs				<u>(1,268)</u>
Loss before income tax				(300,534)
Income tax				<u>(4,019)</u>
Loss for the period				<u>(304,553)</u>

### 3. Segment information (continued)

	Distribution of third party pharmaceutical products HK\$'000	In-house chemical pharmaceutical products HK\$'000	In-house biological pharmaceutical products HK\$'000	Group HK\$'000
Segment assets	203,125	309,657	769,589	1,282,371
Unallocated corporate assets				43,970
Total assets				<u>1,326,341</u>
Segment liabilities	39,363	7,658	105,395	152,416
Unallocated corporate liabilities				7,728
Total liabilities				<u>160,144</u>
Capital expenditure	–	508	93	601
Amortisation	–	9,187	16,065	25,252
Depreciation	7,473	9,500	9,648	26,621

### 3. Segment information (continued)

For the six months ended 30 September 2008 (unaudited)

	Distribution of third party pharmaceutical products HK\$'000	In-house chemical pharmaceutical products HK\$'000	In-house biological pharmaceutical products HK\$'000	Group HK\$'000
Revenue from external customers	<u>184,129</u>	<u>38,659</u>	<u>134,711</u>	<u>357,499</u>
Segment result – gross	73,642	26,621	120,695	220,958
Operating income and expenses	(13,124)	(26,415)	(121,608)	(161,147)
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	<u>–</u>	<u>(92,973)</u>	<u>(9,867)</u>	<u>(102,840)</u>
Segment results	40,395	(286,393)	(10,780)	(256,778)
Unallocated income and expenses				<u>(4,984)</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>(286,718)</u>

### 3. Segment information (continued)

	Distribution of third party pharmaceutical products HK\$'000	In-house chemical pharmaceutical products HK\$'000	In-house biological pharmaceutical products HK\$'000	Group HK\$'000
Segment assets	324,418	352,824	827,724	1,504,966
Unallocated corporate assets				49,363
Total assets				1,554,329
Segment liabilities	47,337	16,208	47,507	111,052
Unallocated corporate liabilities				20,845
Total liabilities				131,897
Capital expenditure	18,208	33,215	2,091	53,514
Amortisation	–	9,111	16,202	25,313
Depreciation	4,620	6,935	5,215	16,770

There are no income, sales or other transactions between the operating segments. Unallocated income and expenses represent corporate expenses.

All the Group's revenue from external customers are attributed to the country of domicile of the relevant group entities, which is the PRC, during the six months ended 30 September 2009 and 30 September 2008 respectively.

None of the customers accounted for 10% or more of the total turnover of the Group during the six months ended 30 September 2009 and 30 September 2008 respectively.

#### 4. Loss for the period

Loss for the period is stated after the following:

	Unaudited six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
After charging:		
Cost of inventories sold	26,456	136,541
Depreciation of fixed assets		
– owned assets	26,621	16,770
Share-based payment expenses	36,296	–
Impairment loss of intangible assets	35,940	–
Impairment loss of trade receivables	–	20,123
Impairment loss of goodwill	–	193,626
Impairment loss of other receivables, deposits and prepayments	3,295	102,840
Research and development costs	211,326	62,870

#### 5. Staff costs

	Unaudited six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Wages	5,560	9,841
Pension costs – defined contribution plans	36	48
	<u>5,596</u>	<u>9,889</u>



## 6. Income tax

The amount of taxation charged to the condensed consolidated income statement represents:

	<b>Unaudited</b>	
	<b>six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong profits tax	–	–
Taxation in other jurisdictions	<b>4,019</b>	24,645
Deferred taxation	–	–
	<b>4,019</b>	<b>24,645</b>

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the six months ended 30 September 2009. 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. Loss per share

The calculation of basic and diluted loss per share attributable to equity holders of the Company is based on the following data:

	<b>Unaudited</b>	
	<b>six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the period attributable to equity holders of the Company for the purpose of basic and diluted loss per share	<b>(304,553)</b>	(286,718)

## 7. Loss per share (continued)

	2009	2008 (Restated)
Number of shares:		
Issued ordinary shares at beginning of period	<b>8,698,975,292</b>	8,040,691,960
Effect of issue of shares upon exercise of share options	–	84,389,617
Effect of issue of shares upon open offer with bonus issue	<b>4,074,282,789</b>	2,993,451,107
Effect of share consolidation	<b><u>(11,495,932,273)</u></b>	<b><u>(10,006,679,415)</u></b>
Weighted average number of ordinary share for the purpose of calculating basic loss per share	<b>1,277,325,808</b>	1,111,853,269
Effect of dilutive potential ordinary shares		
– Share options, adjusted for the effect of open offer with bonus issue and share consolidation	–	<u>2,927,326</u>
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<b><u>1,277,325,808</u></b>	<b><u>1,114,780,595</u></b>

## 8. Trade receivables

The ageing analysis of trade receivables is as follows:

	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
Within 30 days	<b>16,649</b>	42,257
31 – 60 days	<b>15,355</b>	16,516
61 – 90 days	<b>14,197</b>	16,736
Over 90 days	<b><u>61,939</u></b>	<u>114,795</u>
	<b>108,140</b>	190,304
Less: Provision for impairment of trade receivables	<b><u>(28,997)</u></b>	<u>(28,997)</u>
	<b><u>79,143</u></b>	<u>161,307</u>

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.

## 9. Trade payables

The ageing analysis of trade payables is as follows:

	<b>Unaudited 30 September 2009 HK\$'000</b>	Audited 31 March 2009 HK\$'000
Current – 30 days	<b>6,023</b>	4,782
31 – 60 days	<b>6,771</b>	4,103
61 – 90 days	<b>2,589</b>	5,784
Over 90 days	<b>2,333</b>	3,478
	<b>17,716</b>	18,147

## 10. Share capital

	<i>Notes</i>	<b>Nominal value per share HK\$</b>	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
Authorised:				
At 1 April 2008 and 31 March 2009		0.10	50,000,000	5,000,000
Consolidation of shares	<i>(d)(i)</i>		(45,000,000)	–
Reduction of share capital	<i>(d)(iii)</i>	1.00	5,000,000	5,000,000
			–	(4,950,000)
Increase	<i>(d)(iv)</i>	0.01	5,000,000	50,000
		0.01	495,000,000	4,950,000
At 30 September 2009		0.01	500,000,000	5,000,000
Issued and fully paid:				
At 1 April 2008		0.10	8,040,692	804,069
Issue of shares upon exercise of options	<i>(a)</i>	0.10	132,950	13,295
Issue of shares upon capitalisation of debts	<i>(b)</i>	0.10	525,333	52,533

## 10. Share capital (continued)

	Notes	Nominal value per share HK\$	Number of shares '000	Amount HK\$'000
At 31 March 2009		0.10	8,698,975	869,898
Issue of shares upon open offer with bonus issue	(c)	0.10	<u>4,349,488</u>	<u>434,948</u>
		0.10	13,048,463	1,304,846
Consolidation of shares	(d)(i)	1.00	<u>(11,743,617)</u>	<u>–</u>
			1,304,846	1,304,846
Reduction of share capital	(d)(ii)		<u>–</u>	<u>(1,291,798)</u>
At 30 September 2009		0.01	<u>1,304,846</u>	<u>13,048</u>

### Note:

- (a) Between May 2008 and July 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.
- (b) On 1 December 2008, the Company allotted and issued 525,333,332 ordinary shares of HK\$0.10 each at issue price of HK\$0.15 per share upon capitalisation of debts of the Group amounting to approximately HK\$78,800,000.
- (c) On 15 May 2009, the Company allotted 1,449,829,215 offer shares of HK\$0.10 each at the subscription price of HK\$0.10 per offer share on the basis of 1 offer share for every 6 then existing ordinary shares held and allotted 2,899,658,430 bonus shares of HK\$0.10 each on the basis of 2 bonus shares for every 1 offer share taken up out of the share premium account (collectively referred to as the "Open Offer with Bonus Issue"). The Company raised approximately HK\$141.9 million (net of expenses) for the research and development of its biological pharmaceutical products.



## 10. Share capital (continued)

Note: (continued)

- (d) As announced by the Company on 18 March 2009, the Company proposed to effect (i) a share consolidation pursuant to which every one 10 issued and unissued then existing shares of HK\$0.10 each were consolidated into 1 consolidated share of HK\$1.00 each; (ii) reduction of the nominal value of each issued share from HK\$1.00 each to HK\$0.01 each by cancelling HK\$0.99 paid up share capital for each share in issue (“Issued Capital Reduction”); (iii) reduction of the nominal value of all shares in the authorized share capital of the Company from HK\$1.00 each to HK\$0.01 each, resulting in the reduction of the authorised share capital from HK\$5,000,000,000 to HK\$50,000,000 divided into 5,000,000,000 shares of HK\$0.01 each; (iv) increase of the authorised share capital from HK\$50,000,000 divided into 5,000,000,000 consolidated shares of HK\$0.01 each to HK\$5,000,000,000 divided into 500,000,000,000 consolidated shares of HK\$0.01 each by the creation of 495,000,000,000 new consolidated shares; and (v) transfer of credit arising from the Issued Capital Reduction with the amount of HK\$1,291,797,830 to the distributable reserve account, capital reorganisation reserve account. The above are collectively referred to as the “Capital Reorganisation”. Details of the Capital Reorganisation are set out, inter alia, in the circular of the Company dated 28 March 2009. A special resolution approving the Capital Reorganisation was passed at the extraordinary general meeting of the Company held on 20 April 2009. The Capital Reorganisation became effective on 31 August 2009.
- (e) All shares issued during the year ended 31 March 2009 and for the six months ended 30 September 2009 rank *pari passu* with the then existing shares in issue in all respects.

## 11. 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 of directors of the Company 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”).

## 11. Share options *(continued)*

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.

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.

## 11. Share options (continued)

The directors of the Company 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.

Total consideration received during the year from eligible participants for taking up the options granted for the six months ended 30 September 2009 was less than HK\$1,000 (Six months ended 30 September 2008: Nil). The consideration is required to be settled within 21 days from the issue of the share option offer.

Details of the share option movements during the six months ended 30 September 2009 under the 2001 Scheme and 2006 Scheme are as follows:

	Number of share options					Lapsed during the period	Outstanding at 30 September 2009	Exercise price	Adjusted exercised price (Note)	Date of grant	Exercise period	Remaining contractual life
	Outstanding at 1 April 2009	Granted during the period	Adjusted during the period (Note)	Exercised during the period	During the period							
	'000	'000	'000	'000	'000	'000	HK\$	HK\$				
Employees	63,050	-	(55,891)	-	-	7,159	0.2229	1.963	19 June 2006	19 June 2006 to 21 October 2011	2.06 years	
Employees	13,658	-	(12,107)	-	-	1,551	0.512	4.510	28 January 2008	28 January 2008 to 21 September 2016	6.98 years	
Others	36,342	-	(32,216)	-	-	4,126	0.512	4.510	28 January 2008	28 January 2008 to 21 September 2016	6.98 years	
Others	-	735,000	(661,500)	-	-	73,500	0.10	1.00	26 May 2009	26 May 2009 to 21 September 2016	6.98 years	
	<u>113,050</u>	<u>735,000</u>	<u>(761,714)</u>	<u>-</u>	<u>-</u>	<u>86,336</u>						
Exercisable at the end of the period						<u>86,336</u>						
Weight average exercise price (HK\$)	<u>0.3508</u>	<u>0.10</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>1.3107</u>						

## 11. Share options (continued)

Note: The number of shares issuable upon exercise of share options and their exercise price were adjusted during the six months ended 30 September 2009 as a result of the Open Offer and Bonus Issue and the Capital Reorganisation.

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

	Number of share options				Outstanding at 30 September 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 (adjusted)	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
Others	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>				
Exercisable at the end of the period					<u>113,050</u>				
Weight average exercise price (HK\$)	<u>0.2817</u>	<u>N/A</u>	<u>0.2229</u>	<u>N/A</u>	<u>0.3508</u>				

In respect of the share options exercised during the six months ended 30 September 2008, the weighted average of share price at the date of exercise was HK\$0.3863.

The fair value of services received in return for share options granted during the six months ended 30 September 2009 under the 2006 Scheme are measured by reference to the fair value of share options granted under the 2006 Scheme. The estimate of the fair value of the services received is measured based on Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used for the share options granted on 26 May 2009 (the "26 May 2009 Grant").



## 11. Share options (continued)

26 May 2009  
Grant

Number of share issuable under options granted	735,000,000
Option value (HK\$)	36,296,178
Expected dividend yield (%)	0
Expected volatility (%)	97.179
Risk-free interest (%)	1.009
Expected life of options (years)	3
Subscription price (HK\$)	0.10
Share price at date of grant (HK\$)	0.097

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

## 12. Commitments under operating leases

At 30 September 2009, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
Within 1 year	687	1,318
After 1 year but within 5 years	—	234
	<u>687</u>	<u>1,552</u>

## 13. Capital commitments

At 30 September 2009, the Group had capital commitments in respect of purchase of plant and equipment, technical know how and renovation of approximately HK\$14,141,000 (At 31 March 2009: HK\$8,844,000).



#### 14. Interim dividend

The directors of the Company do not recommend the payment of an interim dividend for the period under review (Six months ended 30 September 2008: Nil).

#### 15. 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 Company (together with its subsidiaries, the “Group”) recorded a consolidated turnover of HK\$82,057,000 representing a decrease of 77% compared with HK\$357,499,000 recorded in the last corresponding period. The gross profit was HK\$50,228,000 representing a decrease of 77% as compared with HK\$220,958,000 recorded in the last financial year. The Group recorded a net loss of HK\$304,553,000 for the six months ended 30 September 2009 compared to a net loss of HK\$286,718,000 in the corresponding period of last financial year.

### Business Review and Prospect

During the period under review, the healthcare reform in the People’s Republic of China (the “PRC”) has continued 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 Group decided in 2008/2009 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.

During the period under review, impairment loss of intangible assets of HK\$35,940,000 and impairment loss of other receivables, deposits and prepayments of HK\$3,295,000; were recognized as a result of re-assessment of the Group’s assets portfolio for the current financial year.

Despite these challenges, the Group has continuously strengthened its management team which has been committed to rationalize and re-engineer its work flow and processes to reduce costs and increase efficiency. 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. In May 2009, the Group raised approximately HK\$141.9 million (net of expenses) by way of an open offer which was over-subscribed by approximately 53.21% to fund the research and developments of the Group’s pharmaceutical products. The response to the open offer was encouraging and showed support and confidence to the management and direction of the Group.



### *Distribution of pharmaceutical products*

This division achieved a turnover of HK\$27,051,000 with segment results of HK\$9,157,000 for the six months ended 30 September 2009. The turnover and segment results of corresponding period was HK\$184,129,000 and HK\$73,642,000 respectively. The decrease was mainly due to increased competition and the change in focus of the Group to research and development of in-house biological pharmaceutical products.

### *In-house biological pharmaceutical products*

This division achieved a turnover of HK\$46,170,000 and a segment results of HK\$36,302,000 for the six months ended 30 September 2009. The turnover and segment results of corresponding period in last financial year were HK\$134,711,000 and HK\$120,695,000 respectively. The reported figure for segment results of in-house biological pharmaceutical products was affected by the increase in research and development expenditure from HK\$62,870,000 in corresponding period of last year to HK\$211,326,000 in the current financial year.

### *In-house chemical pharmaceutical products*

This division achieved a turnover of HK\$8,836,000 with segment results of HK\$4,769,000 for the six months ended 30 September 2009. The turnover and segment results were HK\$38,659,000 and HK\$26,621,000 respectively in the corresponding period of last financial year. 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 believes, 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 2007, Phase II clinical trials were also completed by the end of 2008. Phase III clinical trials commenced in June 2009, the progress has been satisfactory to the Group.

On 6 July 2009, the Company announced that it has initiated pre-clinical trial on application of rExendin-4 on treatment of Type I diabetes.



On 8 July 2009, the Company announced that the rExendin-4 project has been approved after evaluation by authoritative experts in the PRC during the first batch topic presentation for the “New Key Drug Formulation” of the State’s Major Science and Technology Project under the “Eleventh Five-Year Plan”, topic numbered 2008ZX09101-036; and has secured the “Specialty Contract of the State’s Major Science and Technology Project” with the Ministry of Science and Technology of the PRC. Among the 15 Class 1 new drug finalists of the first batch of genetic engineering drugs nationwide, the rExendin-4 project developed by the Group is the only project to receive grants in the Guangdong Province, the PRC.

Being 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 (“LExendin-4”).

On 4 May 2009, the Company announced that study shows that the LExendin-4 has the biological activity of natural Exendin-4. Subsequent studies are being carried out by the Group and if the subsequent studies prove to be successful, LExendin-4 will be a new generation of Exendin-4 that can be used for the treatment of Type II diabetes, and potentially, of Type I diabetes as well.

### *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.

On 8 July 2009, the Company announced that the rhEPO-Fc project has joined the second batch topic presentation for the “New Key Drug Formulation” of the State’s Major Science and Technology Project under the “Eleventh Five-Year Plan”, topic numbered 2009ZX09102-229. The master budget of this project has been submitted to the Ministry of Science and Technology of the PRC.

In December 2009, the project was approved by the Ministry of Science and Technology of the PRC.



### *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 the PRC 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.

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

rhPTH 1-34 (a Class II prescription new drug) has its Phase II clinical trial completed by the end of 2008. Phase III clinical trial commenced in April 2009, the progress has been satisfactory to the Group. 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.

## Strategic Alliance

The Group has also formed a strategic alliance with DaAn Gene Co., Ltd of Sun Yat-sen University ("DaAn") to cooperate on individualized diagnostic reagents and new drugs. DaAn is a public company listed on the Shenzhen Stock Exchange, the PRC, specialising in the field of biotechnologies, especially in the development and application of gene diagnostic technologies and related products.

DaAn was one of the first companies in the PRC to develop in 2003 the FQ-PCR kit for early detection of SARS-coronavirus (SARS-CoV) upon the platform of FQ-PCR.

The directors of the Company expect that the formation of the strategic alliance with DaAn will bring positive effect to the Group's bio-science related business.



## Liquidity and Financial Resources

During the period under review, the Company allotted 1,449,829,215 offer shares of HK\$0.10 each at the subscription price of HK\$0.10 per offer share on the basis of 1 offer share for every 6 then existing ordinary shares held and allotted 2,899,658,430 bonus shares of HK\$0.10 each on the basis of 2 bonus shares for every 1 offer share taken up out of the share premium account. The Company raised approximately HK\$141.9 million (net of expenses) of the research and development of its biological pharmaceutical products.

At 30 September 2009, the Group's bank deposits, bank balances and cash amounted to HK\$62,755,000 and bank and other borrowings amounted to HK\$41,875,000. At 30 September 2009, the Group has total assets of approximately HK\$1,326,341,000, current assets of approximately HK\$254,601,000 and current liabilities of approximately HK\$144,803,000. The gearing ratio, calculated by dividing the total debts over its total assets, was 3.2%.

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 ("RMB"). The Group does not hedge its foreign currency risks as the rate of exchange between Hong Kong dollar and RMB is controlled within a narrow range.

## Pledge of Assets and Contingent Liabilities

As at 30 September 2009, leasehold building, leasehold land and land use rights and investment properties with an aggregate net book value of HK\$62,300,000 had been pledged to the Group's bankers for banking facilities granted to the Group.

At 30 September 2009, the Group did not have any material contingent liabilities.

## Employment and Remuneration Policy

At 30 September 2009, the Group employed approximately 310 staff, including approximately 70 staff in the PRC R&D centres, approximately 150 staff in total in the PRC sales offices, approximately 80 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 2009, 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) <i>(Note 1)</i>	Approximate percentage of shareholding
TONG Kit Shing	The Company	Interest of a controlled corporation <i>(Note 2)</i>	368,161,160 shares of HK\$0.01 each	28.21%
LIU Guoyao	The Company	Interest of a controlled corporation <i>(Note 2)</i>	368,161,160 shares of HK\$0.01 each	28.21%

### 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 2009, 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) <i>(Note 1)</i>	Approximate percentage of shareholding
Automatic Result	Beneficial owner	368,161,160 shares of HK\$0.01 each	28.21%

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 2009.

## 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 six months ended 30 September 2009.



## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company, 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 2009, save for the deviation that the independent non-executive directors of the Company are not appointed for specific terms pursuant to paragraph A.4.1 of the Code. Notwithstanding the aforesaid deviation, all the directors of the Company (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 of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2009.

## 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 of the Group for the six months ended 30 September 2009 with the directors of the Company.

By Order of the board of directors

**Mr. Tong Kit Shing**

*Chairman*

Hong Kong, 21 December 2009

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

*Executive directors:*

TONG Kit Shing (*Chairman*)

LIU Guoyao (*Chief Executive Officer*)

*Independent non-executive directors:*

ZHOU Yaoming

LIN Jian

SO Yin Wai