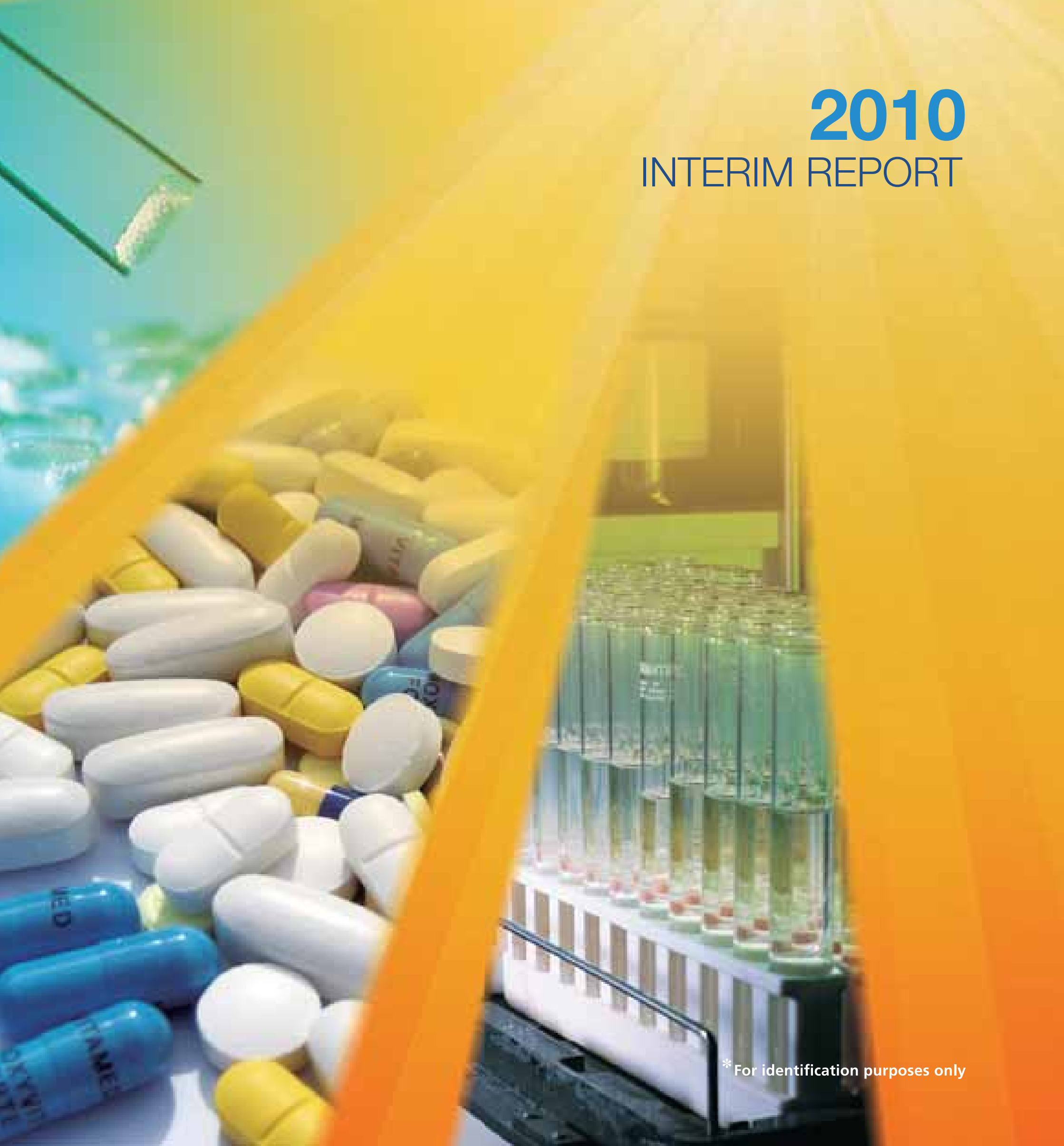
聯康生物科技集團有限公司*

Uni-Bio Science Group Limited

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

2010 INTERIM REPORT



*For identification purposes only

CORPORATE INFORMATION

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

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. TSAO Hoi Ho
Mr. LOU Iok Kuong
Mr. LEUNG Ka Chun
Mr. ZHOU Yaoming
Mr. LIN Jian

AUDIT COMMITTEE
Mr. TSAO Hoi Ho
Mr. LOU Iok Kuong
Mr. LEUNG Ka Chun
Mr. ZHOU Yaoming
Mr LIN Jian

REMUNERATION COMMITTEE
Mr. TONG Kit Shing
Mr. TSAO Hoi Ho
Mr. LOU Iok Kuong
Mr. ZHOU Yaoming
Mr. LIN Jian

NOMINATION COMMITTEE
Mr. TONG Kit Shing
Mr. TSAO Hoi Ho
Mr. LOU Lok Kuong
Mr. LEUNG Ka Chun
Mr. ZHOU Yaoming
Mr. LIN Jian

CHIEF EXECUTIVE OFFICER
Mr. LIU Guoyao

COMPANY SECRETARY
Mr. FUNG Kwok Leung

AUTHORIZED REPRESENTATIVES
Mr. TONG Kit Shing
Mr. FUNG Kwok Leung

REGISTERED OFFICE
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman,
KY1-1111, Cayman islands

AUDITORS
KTC Partners 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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Notes	(Unaudited) Six months ended 30 September 2010 HK$'000	2009 HK$'000
Turnover	3	**48,137**	82,057
Cost of sales		**(22,468)**	(31,829)
Gross profit		**25,669**	50,228
Other revenues		**3,169**	350
Distribution costs		**(17,195)**	(20,439)
Administrative expenses		**(37,840)**	(290,170)
Impairment loss of intangible assets		**(3,000)**	(35,940)
Impairment loss of property, plant and equipment		**(7,342)**	–
Impairment loss of other receivables, deposits and prepayments		**–**	(3,295)
Operating loss		**(36,539)**	(299,266)
Finance costs		**(622)**	(1,268)
Operating loss		**(37,161)**	(300,534)
Share of net loss of associates		**(2,057)**	–
Loss before income tax		**(39,218)**	(300,534)
Income tax	6	**(901)**	(4,019)
Loss for the period	4	**(40,119)**	(304,553)
Attributable to:			
Equity holders of the Company		**(40,119)**	(304,553)
		HK cents	HK cents
Loss per share – Basic	7	**(3.07)**	(23.8)
Loss per share – Diluted	7	**(3.07)**	(23.8)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Notes	(Unaudited) Six months ended 30 September 2010 HK$'000	2009 HK$'000
Loss for the period		**(40,119)**	(304,553)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**(21,323)**	425
Total comprehensive loss for the period		**(61,442)**	(304,128)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(61,442)**	(304,128)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

	Notes	Unaudited 30 September 2010 HK$'000	Audited 31 March 2010 HK$'000
Non-current assets			
Goodwill		**349,416**	349,416
Leasehold land and land use rights held for own use		**22,492**	22,188
Property, plant and equipment		**217,549**	239,131
Investment property		**4,992**	4,925
Intangible assets		**317,703**	327,132
Investment in associates		**11,458**	13,333
		923,610	956,125
Current assets			
Leasehold land and land use rights held for own use		**1,619**	1,597
Inventories		**5,501**	4,274
Trade receivables	8	**8,806**	14,288
Other receivables, deposits and prepayment		**76,391**	71,643
Cash and cash equivalents		**48,637**	62,943
		140,954	154,745
Current liabilities			
Trade payables	9	**5,662**	13,169
Accrued charges and other payables		**28,044**	16,143
Tax payable		**578**	455
Amount due to a director		**927**	5,928
Amount due to associates		**14,022**	18,442
Bank loans		**52,115**	15,355
Other loan		**–**	16,720
		101,348	86,212
Net current assets		**39,606**	68,533
Net Assets		**963,216**	1,024,658

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 September 2010

	Notes	**Unaudited 30 September 2010 HK$'000**	Audited 31 March 2010 HK$'000
Capital and reserves attributable to equity holders of the Company			
Share capital	10	**13,048**	13,048
Reserves		**950,168**	1,011,610
Total Equity		**963,216**	1,024,658

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	(Unaudited) Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Net cash used in operating activities	**(11,761)**	(117,558)
Net cash used in investing activities	**(22,584)**	(4,508)
Net cash generated from financing activities	**20,039**	134,812
(Decrease)/increase in cash and cash equivalents	**(14,306)**	12,746
Cash and cash equivalents at 1 April	**62,943**	50,009
Cash and cash equivalents at 30 September	**48,637**	62,755
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**48,637**	62,755

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Share Capital HK$'000	Share Premium HK$'000	Share reserve HK$'000	Statutory surplus HK$'000	Share based payments reserve HK$'000	Distributable reserve (note) HK$'000	Exchange reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
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
At 1 April 2010 (Audited)	**13,048**	**250,889**	**(267)**	**6,289**	**48,147**	**1,291,798**	**137,470**	**(722,716)**	**1,024,658**
Total comprehensive income/(expenses) for the period	–	–	–	–	–	–	(21,323)	(40,119)	(61,442)
At 30 September 2010 (Unaudited)	13,048	250,889	(267)	6,289	48,147	1,291,798	116,147	(762,835)	963,216

Note: The distributable reserve represents credit arising from Capital Reorganisation effected by the Company during the year ended 31 March 2010.

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 2010 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.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK (IFRIC)-INT 17	Distribution of Non-cash Assets to Owners

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

The application of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS7 Disclosures for First – time Adopters[2]
HKFRS 7	Financial Instruments: Disclosures[4]
HKFRS 9	Financial Instruments[5]
HK(IFRIC)–INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC)–INT 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 July 2011.
5 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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 2010 (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	15,140	6,900	26,097	48,137
Segment results – gross	230	3,834	21,605	25,669
Operating income & expenses	(16,768)	(9,387)	(18,415)	(44,570)
Impairment loss of intangible assets	–	–	(3,000)	(3,000)
Impairment loss of property, plant and equipment	–	(7,342)	–	(7,342)
Segment results	(16,538)	(12,895)	190	(29,243)
Unallocated income and expenses				(9,353)
Operating losses				(38,596)
Finance costs				(622)
Loss before income tax				(39,218)
Income tax				(901)
Loss for the period				(40,119)

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	130,596	130,492	800,479	1,061,567
Unallocated corporate assets				2,997
Total assets				1,064,564
Segment liabilities	42,708	2,353	51,792	96,853
Unallocated corporate liabilities				4,483
Total liabilities				101,348
Capital expenditure	–	44	123	167
Amortisation	5,312	264	1,624	7,200
Depreciation	4,894	5,536	6,836	17,266

3. Segment information *(continued)*

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	27,051	8,836	46,170	82,057
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 other receivables, deposits and prepayments	–	(1,931)	(1,364)	(3,295)
Impairment loss of intangible assets	–	(170)	(35,770)	(35,940)
Segment results	3,168	(27,826)	(231,424)	(256,082)
Unallocated income and expenses				(43,184)
Operating loss				(299,266)
Finance costs				(1,268)
Loss before income tax				(300,534)
Income tax				(4,019)
Loss for the period				(304,553)

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				1,326,341
Segment liabilities	39,363	7,658	105,395	152,416
Unallocated corporate liabilities				7,728
Total liabilities				160,144
Capital expenditure	–	508	93	601
Amortisation	–	9,187	16,065	25,252
Depreciation	7,473	9,500	9,648	26,621

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 2010 and 30 September 2009 respectively.

None of the customers accounted for 10% or more of the total turnover of the Group during the six months ended 30 September 2010 and 30 September 2009 respectively.

4. Loss for the period

Loss for the period is stated after the following:

	Unaudited six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
After charging:		
Cost of inventories sold	**22,468**	26,456
Depreciation of fixed assets		
– owned assets	**17,266**	26,621
Share-based payment expenses	**–**	36,296
Impairment loss of intangible assets	**3,000**	35,940
Impairment loss of other receivables, deposits and prepayments	**–**	3,295
Impairment loss of property, plant and equipment	**7,342**	–
Research and development costs	**12,407**	211,326

5. Staff costs

	Unaudited six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Wages	**5,410**	5,560
Pension costs – defined contribution plans	**30**	36
	5,440	5,596

6. Income tax

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

	Unaudited six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Hong Kong profits tax	**–**	–
Taxation in other jurisdictions	**901**	4,019
Deferred taxation	**–**	–
	901	4,019

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the six months ended 30 September 2010. 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:

	Unaudited six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Loss for the period attributable to equity holders of the Company for the purpose of basic and diluted loss per share	**(40,119)**	(304,553)

7. Loss per share *(continued)*

	Unaudited six months ended 30 September	
	2010	2009
Number of shares:		
Issued ordinary shares at beginning of period	**1,304,846,293**	8,698,975,292
Effect of issue of shares upon open offer with bonus issue	**–**	4,074,282,789
Effect of share consolidation	**–**	(11,495,932,273)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**1,304,846,293**	1,277,325,808
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	**1,304,846,293**	1,277,325,808

8. Trade receivables

The ageing analysis of trade receivables is as follows:

	Unaudited 30 September 2010 HK$'000	Audited 31 March 2010 HK$'000
Within 30 days	**2,280**	5,268
31 – 60 days	**3,671**	3,590
61 – 90 days	**1,527**	3,567
Over 90 days	**1,328**	30,885
	8,806	43,310
Less: Provision for impairment of trade receivables	**–**	(29,022)
	8,806	14,288

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:

	Unaudited 30 September 2010 HK$'000	Audited 31 March 2010 HK$'000
Current – 30 days	**327**	2,974
31 – 60 days	**479**	1,806
61 – 90 days	**394**	3,591
Over 90 days	**4,462**	4,798
	5,662	13,169

10. Share capital

	Notes	Nominal value per share HK$	Number of shares '000	Amount HK$'000
Authorised:				
At 1 April 2009		0.10	50,000,000	5,000,000
Consolidation of shares	(b)(i)		(45,000,000)	–
		1.00	5,000,000	5,000,000
Reduction of share capital	(b)(iii)		–	(4,950,000)
		0.01	5,000,000	50,000
Increase	(b)(iv)	0.01	495,000,000	4,950,000
At 31 March 2010 and 30 September 2010		0.01	500,000,000	5,000,000

10. Share capital *(continued)*

	Notes	Nominal value per share HK$	Number of shares '000	Amount HK$'000
Issued and fully paid:				
At 1 April 2009		0.10	8,698,975	869,898
Issue of shares upon open offer with bonus issue	(a)	0.10	4,349,488	434,948
		0.10	13,048,463	1,304,846
Consolidation of shares	(b)(i)	1.00	(11,743,617)	–
			1,304,846	1,304,846
Reduction of share capital	(b)(ii)		–	(1,291,798)
At 31 March 2010 and 30 September 2010		0.01	1,304,846	13,048

Note:

(a) 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)*

(b) 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. 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.

(c) All shares issued during the year ended 31 March 2010 and for the six months ended 30 September 2010 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 period from eligible participants for taking up the options granted for the six months ended 30 September 2010 was zero (Six months ended 30 September 2009 was less than HK$1,000). 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 2010 under 2006 Scheme are as follows:

	Number of share options									
	Outstanding 31 March 2010 and 1 April 2010 '000	Granted during the year '000	Adjusted during the year '000	Exercised during the year '000	Lapsed during the year '000	Outstanding at 30 September 2010 '000	Exercised price HK$	Date of grant	Exercise period	Remaining contractual life
Employees	7,159	–	–	–	–	7,159	1.9630	19 June 2006	19 June 2006 to 21 October 2011	1.56 years
Employees	1,551	–	–	–	–	1,551	4.5100	28 January 2008	28 January 2008 to 21 September 2016	6.48 years
Others	4,126	–	–	–	–	4,126	4.5100	28 January 2008	28 January 2008 to 21 September 2016	6.48 years
Others	73,500	–	–	–	–	73,500	1.000	26 May 2009	26 May 2009 to 21 September 2016	6.48 years
	86,336	–	–	–	–	86,336				
Exercisable at the end of the period						86,336				
Weight average exercise price (HK$)	1.3107	N/A	N/A	N/A	N/A	1.3107				

11. Share options *(continued)*

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										
	Outstanding at 1 April 2009	Granted during the period	Adjusted during the period (Note)	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2009	Exercise price	Adjusted exercise price (Note)	Date of grant	Exercise period	Remaining contractual life
	'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
	113,050	735,000	(761,714)	–	–	86,336					
Exercisable at the end of the period						86,336					
Weight average exercise price (HK$)	0.3508	0.10	N/A	N/A	N/A	1.3107					

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.

12. Commitments under operating leases

At 30 September 2010, the Group had total future aggregate minimum lease payments under non- cancellable operating leases as follows:

	Unaudited 30 September 2010 HK$'000	Audited 31 March 2010 HK$'000
Within 1 year	**318**	679
After 1 year but within 5 years	**238**	358
	556	1,037

13. Capital commitments

At 30 September 2010, the Group had capital commitments in respect of purchase of plant and equipment, technical know how and renovation of approximately HK$12,767,000 (At 31 March 2009: HK$27,696,300).

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 2009: 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$48,137,000 representing a decrease of 41% compared with HK$82,057,000 recorded in the last corresponding period. The gross profit was HK$25,669,000 representing a decrease of 49% as compared with HK$50,228,000 recorded in the last corresponding period. The Group recorded a net loss of HK$40,119,000 for the six months ended 30 September 2010 compared to a net loss of HK$304,553,000 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 economic conditions have recently been fluctuating significantly in many countries and regions, including the PRC, and the added risks and uncertainties may remain 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 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.

During the period under review, impairment loss of intangible assets of HK$3,000,000 was recognized as a result of re-assessment of the Group's assets portfolio for the current financial period.

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. 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. These new policies have helped to release certain negative impact on our operations. 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 of HK$15,140,000 with segment results of HK$230,000 for the six months ended 30 September 2010. The turnover and segment results of corresponding period was HK$27,051,000 and HK$9,157,000 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$26,097,000 and a segment results of HK$21,605,000 for the six months ended 30 September 2010. The turnover and segment results of corresponding period in last financial year were HK$46,170,000 and HK$36,302,000 respectively. The reported figure for segment results of in-house biological pharmaceutical products was affected by the decrease in research and development expenditure from HK$62,870,000 in corresponding period of last year to HK$12,407,000 in the current financial year.

In-house chemical pharmaceutical products

This division achieved a turnover of HK$6,900,000 with segment results of HK$3,834,000 for the six months ended 30 September 2010. The turnover and segment results were HK$8,836,000 and HK$4,769,000 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 and Gene targeting system. Since last year, the PRC Government changed its policy as to tighten the assessment and approval requirements and procedures for chemical medicines. While the relative profitability in the chemical medicine field is lower and now even worse, the Group has quickly responsed to the changes as to stop its further development in chemical products in pipeline, including CTP-5, and concentrate its resources in development its pipeline of innovative biological pharmaceutical products which are more promising. Progress of these innovative projects had been very encouraging.

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

The Group is currently engaging in the development of a number of new patent protected Class I & II prescription drugs. The Class I prescription drugs include Recombinant Exendin-4 (rExendin-4), Recombinant Human Erythropoletin-Fc (rhEPO-Fc), and the Class II prescription drugs include Recombinant Human Parathyroid Hormone 1-34 (rhPTH 1-34). The Group achieved progresses in various key projects, in particular considerable progresses were made on Recombinant Exendin-4 (rExendin-4) and Recombinant Human Parathyroid Hormone 1-34 (rhPTH 1-34). Over half of the Phase III clinical trial work in Exendin-4 was completed with respect to the classification of all patients. At the same time, commercialization were commenced for these two projects. Data regarding the interim testing on the drugs for these two projects were collected and analysed. All data derived from interim testing were submitted to Beijing Genetech Pharmaceutical Co., Ltd., which is a subsidiary of the Group. Beijing Genetech Pharmaceutical Co., Ltd. also commenced the construction of plants according to such data in full force. Design for civil construction was completed. Tendering work for major equipment was completed. It is expected that construction work will commence in October 2010 and the construction of the main structure will be completed by December. Preparation for GMP certification will commence by May 2011. Another prescription drug under Class II, namely, Recombinant Human Interleukin 11 (rhIL-11) is undergoing Phase III clinical trial work. As the State enhanced the standard for classification of patients, clinical trial for rhIL-11 is still under progress.

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 and has completed the sub-division work of trial patients.

Product Development *(continued)*

rExendin-4 *(continued)*

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.

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. 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.

As a Class I prescription drugs Recombinant Human Erythropoletin-Fc (rhEPO-Fc) has completed all pre-clinical trial, and has submitted an application to the State Administration for Food and Drugs for clinical trial. Two rounds of supplementary information were filed to support the application. It is now pending the approval from the State Administration for Food and Drugs so as to commence clinical trials on human beings in the next phase.

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.

Product Development *(continued)*

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 middle 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.

As the State enhanced the standard for classification of patients, clinical trial is still under progress and may need to postpone the time for launching.

Product Development *(continued)*

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. 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.

The Group has commenced the Phase III clinical trial for rhPTH 1-34 in April 2009. More than half of the Phase III clinical trial work was completed with respect to the classification of all patients. Data regarding the interim testing on the drugs were collected and analysed.

Research and development projects at pre-clinical state

Apart from above, the Group also conduct research and development on other new drugs. For example, IL-4, a class I prescription drugs in the pipeline and is very effective in the treatment of asthma. The market for IL-4 is expected to be promising.

Another one is FSH, a drug used for healing women sterility (or infecundity), which is now a very hot topic for the pharmaceutical industry. Apart from economic benefit that might be brought to the Group, the FSH would contribute a lot to society as a whole.

The Group will closely monitor the market and once favourable conditions appear, the Group will start the corresponding research and development works in full force.

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

The Company did not issue any Shares.

At 30 September 2010, the Group's bank deposits, bank balances and cash amounted to HK$48,637,000 and bank borrowings amounted to HK$52,115,000. At 30 September 2010, the Group has total assets of approximately HK$1,064,564,000, current assets of approximately HK$140,954,000 and current liabilities of approximately HK$101,348,000. The gearing ratio, calculated by dividing the total debts over its total assets, was 4.9%.

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 2010, leasehold building, leasehold land and land use rights and investment properties with an aggregate net book value of HK$26,685,000 had been pledged to the Group's bankers for banking facilities granted to the Group.

At 30 September 2010, the Group did not have any material contingent liabilities.

Employment and Remuneration Policy

At 30 September 2010, 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 2010, 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:

Number of director	Name of the Company/ associated corporation	Capacity	Name of issued ordinary shares held (L) (Note 1)	Approximate percentage of shareholding
TONG Kit Shing	The Company	Interest of a controlled corporation (Note 2)	368,161,160 shares of HK$0.01 each	28.21%
LIU Guoyao	The Company	Interest of a controlled corporation (Note 2)	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 2010, 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)	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 2010.

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 2010.

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 2010, save for the deviations that two of the independent non-executive directors of the Company are not appointed for specific terms pursuant to paragraph A.4.1 of the Code and that after the appointment of Mr. Tsao as independent non-executive director and Chairmen of audit committee on 5 May 2010, the non-compliance to rules 3.10 and 3.21 of the Listing rules was rectified. 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 2010.

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 2010 with the directors of the Company.

By Order of the board of directors
Mr. Tong Kit Shing
Chairman

Hong Kong, 29 November 2010

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
TSAO Hoi Ho
LOU Iok Kuong
LEUNG Ka Chun