

Interim  
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北京御生堂藥業集團有限公司  
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Beijing Yu Sheng Tang Pharmaceutical Group Limited

北京御生堂藥業集團有限公司

(Incorporated in Bermuda with limited liability) Stock Code : 1141

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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Suen Cho Hung, Paul (*Chairman*)  
Mr. Sue Ka Lok (*Chief Executive Officer*)  
Mr. Bai Jianjiang  
Ms. Lee Chun Yeung, Catherine

#### Independent Non-executive Directors

Mr. Wong Kwok Tai  
Mr. Weng Yixiang  
Mr. Lu Xinsheng

### AUDIT COMMITTEE

Mr. Wong Kwok Tai (*Chairman*)  
Mr. Weng Yixiang  
Mr. Lu Xinsheng

### REMUNERATION COMMITTEE

Mr. Sue Ka Lok (*Chairman*)  
Mr. Wong Kwok Tai  
Mr. Weng Yixiang  
Mr. Lu Xinsheng

### COMPANY SECRETARY

Ms. Chan Yuk Yee

### TRADING OF SHARES

The Stock Exchange of Hong Kong Limited  
(Stock Code: 1141)

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 1501, 15th Floor  
Great Eagle Centre  
23 Harbour Road  
Wanchai  
Hong Kong

### PRINCIPAL BANKERS

Bank of Communications Co., Ltd.,  
Hong Kong Branch  
Bank of China (Hong Kong) Limited  
BNP Paribas Hong Kong Branch  
Rabobank International Hong Kong Branch  
Standard Bank Asia Limited

### LEGAL ADVISERS

Richards Butler  
Troutman Sanders

### AUDITORS

HLB Hodgson Impey Cheng  
*Chartered Accountants*  
*Certified Public Accountants*

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM08  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

### WEBSITE

[www.beijingyst.com](http://www.beijingyst.com)

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## Management Discussion and Outlook

The management of Beijing Yu Sheng Tang Pharmaceutical Group Limited (the “Company”) hereby presents a discussion and an outlook of the results and operations of the Company and its subsidiaries (collectively referred to as the “Group”) as follows:

### BUSINESS REVIEW

For the six months ended 30 September 2010, the loss attributable to owners of the Company was HK\$82,979,000 (30 September 2009: HK\$13,004,000) and basic loss per share was HK3.22 cents (30 September 2009: HK0.81 cent). The loss incurred by the Group was mainly attributed to the net loss on investment in listed equity securities of HK\$67,642,000 (30 September 2009: net gain of HK\$1,519,000) of which HK\$58,546,000 (30 September 2009: unrealised gain of HK\$1,716,000) represented unrealised holding loss for listed equity securities measured at fair values at the interim period end date.

During the period under review, the Group continued to engage in the business of supply and procurement of metal minerals and recyclable metal materials, pharmaceutical products, provision of finance and securities investment. When compared with the previous period, the Group’s revenue increased by 93% to HK\$406,077,000 (30 September 2009: HK\$210,859,000) that was primarily due to the sharp increase in revenue posted by the supply and procurement division, which in turn resulted from the significant increase in the division’s transaction volume. Despite such revenue growth, the Group’s gross profit dropped by 15% to HK\$7,750,000 (30 September 2009: HK\$9,167,000) that was mainly related to a trade dispute for which a loss of about HK\$5 million was recognised by the supply and procurement division. The Group’s finance costs for the current period included a notional interest on convertible notes of HK\$7,525,000 (30 September 2009: HK\$800,000) calculated in accordance with the Group’s accounting policy on financial instruments, such notional interest required no cash outlay whereas interest requiring cash settlement amounted to HK\$948,000 (30 September 2009: nil) for the period. The decrease of the Group’s other income and gains by 80% to HK\$2,174,000 (30 September 2009: HK\$10,838,000) was mainly due to the absence of a reimbursement income from counterparties for legal and other professional costs incurred due to termination of an investment project in the previous period. The increase in the Group’s administrative expenses by 28% to HK\$16,075,000 (30 September 2009: HK\$12,550,000) was primarily due to the operating costs incurred by the newly established pharmaceutical division.

During the review period, the Group’s supply and procurement division continued to focus on the sourcing and sales of metal minerals and recyclable metal materials to customers based in Mainland China. As a result of the higher trading volume achieved when compared to the previous period, the revenue of the operation increased sharply by 93% to HK\$400,629,000 (30 September 2009: HK\$207,241,000). Despite such revenue growth, the operation’s profit decreased by 51% to HK\$2,710,000 (30 September 2009: HK\$5,584,000) mainly due to the recognition of an approximately HK\$5 million compensation payment paid to a customer for mineral content deviation of a shipment of metal minerals. The Group has initiated a corresponding arbitration claim against the supplier of that shipment. Nevertheless, owing to uncertainty of the outcome of the arbitration, the compensation recoverable from the supplier has not been recognised in the Group’s income statement. Although the compensation payment mentioned has adversely affected the operation’s results for the review period, the management is optimistic about the division’s performance for the full financial year as the strong growth in revenue and transaction volume reported by the division for the first six months is expected to continue for the remainder of the financial year.

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## Management Discussion and Outlook

### BUSINESS REVIEW (continued)

As mentioned in the Group's 2010 annual report, the Group has diversified into the pharmaceutical business through acquisition of a group of companies in January and February 2010. The major assets owned by these companies comprise the intellectual property rights to Jinhua Qinggan – a Chinese medicine aiming at treating patients who have been infected with Influenza A (H1N1) and other types of influenza and a Good Manufacturing Practices (GMP) compliant medicine production plant in Beijing. During the review period, the revenue of the pharmaceutical division of HK\$2,788,000 mainly represented sales income of Jinhua Qinggan selling as a prescription drug to designated medical institutions in Beijing. As the sales volume of Jinhua Qinggan has not yet reached a scale that can cover operating costs of the division, the pharmaceutical division incurred a loss of HK\$4,252,000 during the review period which was primarily due to the set up and administrative costs of the division. The Group is in the process of applying a new drug certificate for Jinhua Qinggan from the relevant authorities in Mainland China, upon receipt of the new drug certificate, the Group will be able to market Jinhua Qinggan as a non-prescription drug to the general public. It is expected that the sales volume of Jinhua Qinggan will increase by then and that the financial performance of the pharmaceutical division will be improved.

The financing division continued to provide a stable income to the Group for the review period. When compared with the previous period, the interest income and operating profit generated by the financing division were up by 64% to HK\$1,502,000 (30 September 2009: HK\$917,000) and 69% to HK\$1,443,000 (30 September 2009: HK\$856,000). Such increases were mainly due to the higher average amount of loans advanced to customers over the previous period. The loan portfolio held by the Group amounted to HK\$21,700,000 (31 March 2010: HK\$13,000,000) at the period end.

The Group's securities investment division recorded revenue of HK\$1,158,000 (30 September 2009: HK\$ 2,701,000) representing mainly dividend income from equity securities investment and interest income from equity linked notes received during the period. As a whole, the division reported a loss of HK\$66,483,000 (30 September 2009: gain of HK\$4,220,000) primarily as a result of the loss incurred from investing in Hong Kong listed equity securities, and that loss incurred comprised mainly unrealised holding loss of HK\$58,546,000 (30 September 2009: unrealised gain of HK\$1,716,000) for listed equity securities measured at fair values at the period end date. During the review period, the Hong Kong stock market was rather volatile largely brought by the sovereign debts crises in Europe, the uncertainties of the United States economy and the financial tightening measures imposed by the government of the People's Republic of China on the banking and property sector of the economy. Investor confidence and market sentiments were weakened during the period and placed downward price pressure on equity securities invested by the Group. The Group's securities portfolio at the period end comprised mainly listed equity securities in Mainland property development and investment company, mining company, healthcare services company, hotel and entertainment company; as well as equity-linked note in a Mainland transportation infrastructure construction company. At the period end, the Group's securities portfolio was valued at HK\$144,985,000 (31 March 2010: HK\$176,990,000). The management expects that the division will perform better when investor confidence and positive market sentiments are restored in the stock markets, and the financial issues clouded the global major economies and investment markets in the last few quarters are cleared out.

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## Management Discussion and Outlook

### FINANCIAL REVIEW

#### *Liquidity, financial resources and capital structure*

At 30 September 2010, the Group had current assets of HK\$1,012,005,000 (31 March 2010: HK\$1,136,736,000) and liquid assets comprising cash and short-term securities investment of HK\$652,395,000 (31 March 2010: HK\$846,143,000) (excluding pledged bank deposits for trade facilities granted by banks). The Group's current ratio, calculated based on current assets of HK\$1,012,005,000 over current liabilities of HK\$191,613,000, was at a strong ratio of 5.3 at the period end (31 March 2010: 4.6).

The Company issued 30 million new shares during the review period as a result of exercise of share options granted to employees. At the period end, equity attributable to owners of the Company amounting to HK\$873,792,000 (31 March 2010: HK\$946,679,000), representing a decrease of 8% when compared to the last balance sheet date which was primarily a result of the loss incurred by the Group during the period. As at 30 September 2010, the net equity attributable to owners of the Company was HK\$0.34 (31 March 2010: HK\$0.37) per share. Subsequent to period end date, the Company issued 517 million new shares through placing and raised net proceeds of approximately HK\$142.9 million which have been used as general working capital of the Group.

On 10 November 2010, the Company entered into a placing agreement with a placing agent, on a best effort basis, under which the Company conditionally agreed to place 1,000,000,000 new shares at a price of HK\$0.32 per share for raising net proceeds of approximately HK\$311.2 million. The placing is subject to shareholders' approval and a special general meeting will be convened for this purpose in due course. Details of the proposed placing are stated in the Company's announcement dated 10 November 2010.

At the period end, the Group's total indebtedness comprised fair value of outstanding convertible notes and bank loans with aggregate amount of HK\$189,232,000 (31 March 2010: HK\$183,284,000). The Group's gearing ratio, calculated on the basis of total indebtedness divided by total indebtedness and equity attributable to the Company's owners, was 18% at the period end (31 March 2010: 16%). The convertible notes, if not converted, would be due for payment in January 2013 whereas the bank loans were all repayable within one year. The convertible loans were denominated in Hong Kong dollars and bore fixed interest rate at 1% per annum whereas the bank loans were denominated in Renminbi and bore interest at floating rates.

With the amount of liquid assets on hand as well as credit facilities granted by banks, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

### FOREIGN CURRENCY MANAGEMENT

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi and US dollars. The Group maintains a prudent strategy in its foreign currency risk management, to a large extent, foreign exchange risks are minimized via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it is considered that the Group's exposure to foreign exchange risks is not significant and no hedging measure has been undertaken by the Group.

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## Management Discussion and Outlook

### PLEDGE OF ASSETS

At 30 September 2010, bank deposits of HK\$21,225,000 (31 March 2010: HK\$131,099,000) were pledged to secure credit facilities granted to the Group.

At 30 September 2010, buildings and prepaid lease payments of carrying amount of HK\$29,826,000 (31 March 2010: HK\$29,832,000) and HK\$33,172,000 (31 March 2010: HK\$33,053,000) respectively were pledged to secure bank loans of the Group.

### CONTINGENT LIABILITIES

At 30 September 2010, the Group had no significant contingent liabilities (31 March 2010: nil).

### CAPITAL COMMITMENT

At 30 September 2010, the Group had capital commitment in respect of upgrading works of its medicine production plant in Beijing of HK\$820,000 (31 March 2010: nil).

### HUMAN RESOURCES AND REMUNERATION POLICY

At 30 September 2010, the Group had about 100 (30 September 2010: 20) employees including directors. Total staff costs for the review period, including directors' remuneration, was HK\$5,063,000 (30 September 2009: HK\$1,946,000, excluding equity settled share-based payment expenses). The increases in headcount and staff costs were mainly due to the acquisition of subsidiaries which hold the intellectual property rights to Jinhua Qinggan and the medicine production plant in Beijing. The equity settled share-based payment expenses of HK\$20,958,000 in the prior period represented fair values of share options granted to employees and directors of the Group and were not associated with any cash outlays. Remuneration packages for employees and directors are structured by reference to market conditions and individual performance. Benefits plans maintained by the Group include mandatory provident fund scheme, medical insurance, share option scheme and discretionary bonuses.

### PROSPECTS

For the remainder of the financial year, the Group will continue to manage its business in a prudent manner in light of the uncertainties and challenges face by major global economies and investment markets. In respect of new investment opportunities, the Group will continue with its cautious approach in evaluating new projects to ensure a stable prospect to shareholders.

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## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2010

	Notes	Six months ended 30 September	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Revenue	4	406,077	210,859
Cost of sales		(398,327)	(201,692)
Gross profit		7,750	9,167
Net (loss)/gain on investments at fair value through profit or loss	5	(67,642)	1,519
Other income and gains		2,174	10,838
Selling and distribution costs		(732)	(142)
Administrative expenses		(16,075)	(12,550)
Finance costs		(9,362)	(800)
Equity settled share-based payment expenses		-	(20,958)
Loss before taxation	5	(83,887)	(12,926)
Taxation	6	855	(32)
Loss for the period		(83,032)	(12,958)
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations		1,938	9
Other comprehensive income for the period, net of tax		1,938	9
<b>Total comprehensive expense for the period</b>		<b>(81,094)</b>	<b>(12,949)</b>
<b>Loss for the period attributable to:</b>			
Owners of the Company	7	(82,979)	(13,004)
Non-controlling interests		(53)	46
		(83,032)	(12,958)
<b>Total comprehensive expense attributable to:</b>			
Owners of the Company		(81,047)	(12,997)
Non-controlling interests		(47)	48
		(81,094)	(12,949)
<b>Loss per share attributable to owners of the Company</b>	7		
Basic and diluted (HK cents per share)		(3.22)	(0.81)

The accompanying notes form an integral part of these financial statements.



## Condensed Consolidated Statement of Financial Position

As at 30 September 2010

	Notes	As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	37,073	36,705
Prepaid lease payments		32,418	32,310
Other deposits		1,420	842
Intangible asset	10	148,480	146,286
Goodwill		9,935	9,935
Total non-current assets		229,326	226,078
<b>Current assets</b>			
Inventories		86,094	13,100
Accounts and bills receivable	11	11,937	94,564
Prepayments, deposits and other receivables	12	218,654	38,830
Loans receivable		21,700	13,000
Investments at fair value through profit or loss	13	144,985	176,990
Pledged bank deposits		21,225	131,099
Cash and bank balances		507,410	669,153
Total current assets		1,012,005	1,136,736
<b>Current liabilities</b>			
Accounts and bills payable	14	10,274	60,028
Other payables and accruals	15	146,319	149,872
Tax payable		247	199
Bank loans		34,773	35,402
Amount due to a director		-	301
Total current liabilities		191,613	245,802
<b>Net current assets</b>		<b>820,392</b>	<b>890,934</b>
<b>Total assets less current liabilities</b>		<b>1,049,718</b>	<b>1,117,012</b>

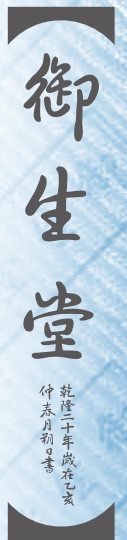
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## Condensed Consolidated Statement of Financial Position

As at 30 September 2010

	<i>Notes</i>	<b>As at 30 September 2010 HK\$'000 (Unaudited)</b>	As at 31 March 2010 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Convertible notes	16	<b>154,459</b>	147,882
Deferred tax liabilities		<b>21,467</b>	22,404
Total non-current liabilities		<b>175,926</b>	170,286
<b>Net assets</b>			
<b>Capital and reserves</b>			
Share capital	17	<b>25,855</b>	25,555
Reserves		<b>847,937</b>	921,124
Equity attributable to owners of the Company		<b>873,792</b>	946,679
Non-controlling interests		–	47
<b>Total equity</b>		<b>873,792</b>	946,726



The accompanying notes form an integral part of these financial statements.

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2010

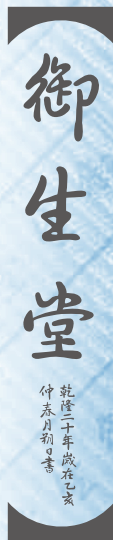
	Attributable to owners of the Company									
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Contributed surplus HK\$'000 (Unaudited)	Convertible notes equity reserve HK\$'000 (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Share option reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Sub-total HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1 April 2009	13,957	244,424	3,085	4,992	1,429	2,647	(42,512)	228,022	11	228,033
Loss for the period	-	-	-	-	-	-	(13,004)	(13,004)	46	(12,958)
Other comprehensive income for the period	-	-	-	-	7	-	-	7	2	9
Total comprehensive income/(expense) for the period	-	-	-	-	7	-	(13,004)	(12,997)	48	(12,949)
Recognition of equity settled share-based payment expenses	-	-	-	-	-	20,958	-	20,958	-	20,958
Conversion of convertible notes	1,186	35,169	-	(4,992)	-	-	-	31,363	-	31,363
Issue of shares	4,128	92,234	-	-	-	-	-	96,362	-	96,362
Transaction costs attributable to issue of shares	-	(2,821)	-	-	-	-	-	(2,821)	-	(2,821)
Share options exercised during the period	499	11,166	-	-	-	(2,281)	-	9,384	-	9,384
Lapse of share options	-	-	-	-	-	(366)	366	-	-	-
At 30 September 2009	19,770	380,172	3,085	-	1,436	20,958	(55,150)	370,271	59	370,330
At 1 April 2010	25,555	933,278	3,085	33,238	-	10,431	(58,908)	946,679	47	946,726
Loss for the period	-	-	-	-	-	-	(82,979)	(82,979)	(53)	(83,032)
Other comprehensive income for the period	-	-	-	-	1,932	-	-	1,932	6	1,938
Total comprehensive income/(expense) for the period	-	-	-	-	1,932	-	(82,979)	(81,047)	(47)	(81,094)
Share options exercised during the period	300	12,907	-	-	-	(5,047)	-	8,160	-	8,160
<b>At 30 September 2010</b>	<b>25,855</b>	<b>946,185</b>	<b>3,085</b>	<b>33,238</b>	<b>1,932</b>	<b>5,384</b>	<b>(141,887)</b>	<b>873,792</b>	<b>-</b>	<b>873,792</b>

The accompanying notes form an integral part of these financial statements.

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2010

	Six months ended 30 September	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
<b>Net cash used in operating activities</b>	<b>(276,966)</b>	(7,997)
<b>Net cash generated by investing activities</b>	<b>155,754</b>	17,519
<b>Net cash generated by financing activities</b>	<b>7,531</b>	102,924
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(113,681)</b>	112,446
Cash and cash equivalents at the beginning of the period	<b>619,153</b>	68,050
Effect of foreign exchange rate changes, net	<b>1,938</b>	7
<b>Cash and cash equivalents at the end of the period</b>	<b>507,410</b>	180,503
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>507,410</b>	180,503



The accompanying notes form an integral part of these financial statements.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2010

### 1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2010 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). They have been prepared under the historical cost convention, except for financial assets and financial liabilities, which are carried at fair value. The condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial statements are unaudited but have been reviewed by the Audit Committee.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparing the condensed consolidated interim financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 March 2010 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA as discussed below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 April 2010.

The applicable new and revised HKFRSs adopted in the condensed consolidated interim financial statements are set out below:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 27 (Revised)	Consolidation and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The application of the above new and revised HKFRSs has had no material effect on the preparation and presentation of the results and financial positions of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2010

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>3</sup>
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>2</sup>
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets <sup>4</sup>
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets) <sup>5</sup>
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement <sup>3</sup>
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2011.

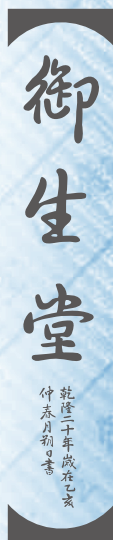
<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013.

The Group is in the process of making an assessment of the impact of the above HKFRSs upon initial application but is not yet in a position to state whether the above HKFRSs would have a significant impact on the Group's and the Company's results of operations and financial position.

### 3. SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to chief operating decision maker for the purpose of resources allocation and performance assessment, the Group is currently organised into the following operating segments.

- the supply and procurement segment represents supply and procurement activities in metal minerals and recyclable metal materials;
- the pharmaceutical segment represents production and sale of Chinese medicine;
- the provision of finance segment represents provision of short-term loan financing activities; and
- the securities investment segment represents investment activities in equity securities and equity-linked notes.



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2010

### 3. SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue and results by reportable segments:

	Six months ended 30 September 2010 (Unaudited)				Consolidated HK\$'000
	Supply and procurement HK\$'000	Pharmaceutical HK\$'000	Provision of finance HK\$'000	Securities investment HK\$'000	
<b>Segment revenue</b>					
Sales to external customers	<u>400,629</u>	<u>2,788</u>	<u>1,502</u>	<u>1,158</u>	<u>406,077</u>
<b>Segment results</b>	<u>2,710</u>	<u>(4,252)</u>	<u>1,443</u>	<u>(66,483)</u>	<u>(66,582)</u>
Interest income and unallocated revenue and gains					739
Unallocated expenses					(8,682)
Finance costs					(9,362)
Loss before taxation					(83,887)
Taxation					855
Loss for the period					<u>(83,032)</u>

	Six months ended 30 September 2009 (Unaudited)				Consolidated HK\$'000
	Supply and procurement HK\$'000	Provision of finance HK\$'000	Securities investment HK\$'000		
<b>Segment revenue</b>					
Sales to external customers	<u>207,241</u>	<u>917</u>	<u>2,701</u>		<u>210,859</u>
<b>Segment results</b>	<u>5,584</u>	<u>856</u>	<u>4,220</u>		10,660
Interest income and unallocated revenue and gains					10,409
Unallocated expenses					(12,237)
Finance costs					(800)
Equity settled share-based payment expenses					(20,958)
Loss before taxation					(12,926)
Taxation					(32)
Loss for the period					<u>(12,958)</u>

### 4. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, interest income from provision of finance, dividend income from investment in listed equity securities and interest income from investment in equity-linked notes during the period.

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## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2010

### 5. LOSS BEFORE TAXATION

	Six months ended 30 September	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
<b>The Group's loss before taxation is arrived at after charging:</b>		
Staff costs including directors' remuneration	4,805	1,873
Equity settled share-based payment expenses	–	20,958
Retirement benefits schemes contributions	258	73
<b>Total staff costs</b>	<b>5,063</b>	<b>22,904</b>
Cost of inventories sold	395,646	196,258
Depreciation of property, plant and equipment	1,263	327
<b>and after crediting:</b>		
Reimbursement for legal and other professional costs incurred from counterparties due to termination of an investment project	–	8,159
Reversal of impairment loss recognised in respect of an other receivable	–	2,040
<b>Net (loss)/gain on investments at fair value through profit or loss:</b>		
Net realised loss on investment in listed equity securities	(9,096)	(85)
Unrealised (loss)/gain on investment in listed equity securities	(58,546)	1,716
Unrealised loss on investment in equity-linked notes	–	(112)
<b>Net (loss)/gain on investments at fair value through profit or loss</b>	<b>(67,642)</b>	<b>1,519</b>

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## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2010

### 6. TAXATION

	Six months ended 30 September	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Current – Hong Kong	83	163
Current – Elsewhere		
Over provision in prior period	–	(131)
	<b>83</b>	32
Deferred taxation	<b>(938)</b>	–
	<b>(855)</b>	32

Hong Kong Profits Tax for the six months ended 30 September 2010 and 2009 was calculated at 16.5% of the estimated assessable profit for the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

### 7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the unaudited net loss for the period attributable to owners of the Company for the six months ended 30 September 2010 of HK\$82,979,000 (six months ended 30 September 2009: HK\$13,004,000) and the weighted average of 2,580,069,924 (six months ended 30 September 2009: 1,597,378,660) ordinary shares in issue during the period.

Basic and diluted loss per share for the six months ended 30 September 2010 and 2009 have been presented as equal because conversion of convertible notes and exercise of share options would decrease the loss per share, therefore, anti-dilutive.

### 8. DIVIDENDS

No dividends were declared during the six months ended 30 September 2010 (six months ended 30 September 2009: nil).

### 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred costs for furniture, fixtures and equipment and motor vehicles of approximately HK\$467,000.



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2010

### 10. INTANGIBLE ASSET

	As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
<b>Cost and carrying value</b>		
At the beginning of the period/year	146,286	–
Addition arising from acquisition of subsidiaries (note (b))	–	146,286
Exchange realignment	2,194	–
At the end of the period/year	<b>148,480</b>	<b>146,286</b>

Notes:

- (a) The intangible asset represents an intellectual property relating to production and sale of Jinhua Qinggan which is presently a prescription drug for clinical use. Jinhua Qinggan is a Chinese medicine aimed at treating patients who have been infected with Influenza A (H1N1) and other types of influenza.
- (b) On 29 January 2010, the Group acquired Beijing Yu Sheng Tang Holdings Limited, which directly and indirectly holds 100% equity interest in Beijing Yu Sheng Tang Cultural Broadcasting Company Limited \*(北京御生堂文化傳播有限公司) and Weikang Yigan (Beijing) Technology Development Company Limited \*(維康依感(北京)科技發展有限公司) respectively and 70% equity interest in Beijing Yu Sheng Tang Chinese Medicine Clinic Company Limited \*(北京御生堂中醫門診部有限公司), the fair value of the intangible asset was approximately HK\$146,286,000 at 29 January 2010 and is based on the valuation report issued by an independent qualified professional valuers which valued the intangible asset on discounted cash flow method.
- (c) The above intangible asset has definite useful life and is amortised on a straight-line basis over 20 years commencing from the date of granting of the new drug certificate.

\* For identification purpose only

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## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2010

### 11. ACCOUNTS AND BILLS RECEIVABLE

	<b>As at 30 September 2010 HK\$'000 (Unaudited)</b>	As at 31 March 2010 HK\$'000 (Audited)
Accounts receivable	<b>2,303</b>	36,067
Bills receivable	<b>9,634</b>	58,497
	<b>11,937</b>	94,564

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three to six months for major customers. Each customer has a maximum credit limit. Overdue balances are reviewed regularly by senior management. Accounts and bills receivable are non-interest bearing. The carrying amounts of the accounts and bills receivable approximate to their fair values.

An aged analysis of the accounts and bills receivable at the end of the reporting period, based on invoice date, and net of impairment, is as follows:

	<b>As at 30 September 2010 HK\$'000 (Unaudited)</b>	As at 31 March 2010 HK\$'000 (Audited)
Within 30 days	<b>8,315</b>	93,198
31 to 60 days	<b>2,094</b>	830
61 to 90 days	<b>470</b>	-
91 to 180 days	<b>1,018</b>	536
Over 180 days	<b>40</b>	-
Total	<b>11,937</b>	94,564



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2010

### 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
Prepayments and deposits	150,004	6,398
Other receivables	68,650	32,570
	<b>218,654</b>	<b>38,968</b>
Less: Impairment loss recognised	–	(138)
	<b>218,654</b>	<b>38,830</b>

### 13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

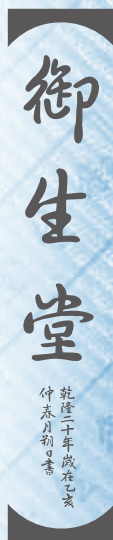
Investments at fair value through profit or loss comprise:

	As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
Held for trading:		
– Listed equity securities investments in Hong Kong, at market value (note (a))	139,995	176,990
Financial assets at fair value through profit or loss:		
– Equity-linked notes (note (b))	4,990	–
	<b>144,985</b>	<b>176,990</b>

Notes:

- (a) The listed equity securities investments at 30 September 2010 and 31 March 2010 were classified as held for trading. The fair values of listed equity securities investments are determined based on the quoted market bid prices available on the Stock Exchange.
- (b) The equity-linked notes represent notes with interests payments based on the annual return of the underlying securities. Each equity-linked note held by the Group contains embedded derivatives. Hence, the Group designated the entire equity-linked notes as financial assets at fair value through profit or loss.

The fair values of equity-linked notes at 30 September 2010 are based on the valuation provided by the counterparty securities company.



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2010

### 14. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the accounts and bills payable at the end of the reporting period, based on invoice date, is as follows:

	As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
Within 30 days	381	57,475
31 to 60 days	3,098	1,020
61 to 90 days	–	887
91 to 180 days	920	339
Over 180 days	5,875	307
Total	<b>10,274</b>	<b>60,028</b>

The accounts and bills payable are non-interest bearing and are normally settled on 60 days term. As at 30 September 2010, the Group had bills payable of approximately HK\$5,294,000 (31 March 2010: HK\$27,428,000), which were within 30 days.

### 15. OTHER PAYABLES AND ACCRUALS

	As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
Other payables ( <i>note</i> )	142,622	144,952
Accruals	3,697	4,920
	<b>146,319</b>	<b>149,872</b>

*Note:*

Included in other payables of approximately HK\$109,332,000 (31 March 2010: HK\$107,714,000) was the balance payment for the consideration of the transfer of the intangible asset. This other payable was arising from acquisition of subsidiaries on 29 January 2010.



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2010

### 16. CONVERTIBLE NOTES

	<b>As at 30 September 2010 HK\$'000 (Unaudited)</b>	As at 31 March 2010 HK\$'000 (Audited)
New Convertible Notes and Convertible Notes 2010 (as defined below) – classified as non-current liabilities	<b>154,459</b>	147,882

*Notes:*

On 20 June 2007, the Company entered into (a) a conditional placing agreement with Interchina Securities Limited (the "Placing Agent") in relation to the placing by the Placing Agent, on a best effort basis, of the Company's convertible notes with principal amount up to HK\$100,000,000 (the "New Convertible Notes") to independent third parties (the "Placing Agreement"); and (b) a conditional option agreement with Vision Century Group Limited ("Vision Century"), the Company's former immediate holding company, pursuant to which the Company had conditionally agreed to grant to Vision Century an option exercisable during the option period to subscribe for convertible notes to be issued by the Company with principal amount up to HK\$100,000,000 (the "New Vision Century Notes") at a consideration of HK\$10 (the "Option Agreement"). The terms of the New Convertible Notes would be identical to those of the New Vision Century Notes. The completion of the Placing Agreement, the Option Agreement and the issue of the New Convertible Notes and the New Vision Century Notes were approved by the independent shareholders of the Company in the special general meeting of the Company held on 6 August 2007.

Pursuant to the Placing Agreement and the Option Agreement, the New Convertible Notes and the New Vision Century Notes were convertible into shares of the Company at an initial conversion price of HK\$0.28 per share.

Pursuant to the terms of the New Convertible Notes, the initial conversion price was adjusted from HK\$0.28 per share to HK\$0.274 per share and the total number of shares to be issued under the convertible notes was adjusted from 116,071,427 shares to 118,613,137 shares of the Company. Such adjustment became effective on 6 March 2009. All the other terms of the New Convertible Notes remain unchanged. Details of such adjustments are set out in the announcement of the Company dated 16 March 2009.

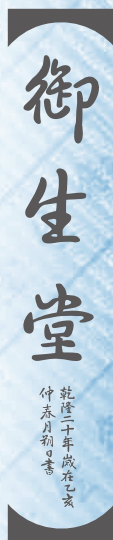
As at 1 April 2009, the aggregate outstanding principal amount of the New Convertible Notes was HK\$32,500,000 and no New Vision Century Notes were outstanding. Details of movement of the convertible notes during the year ended 31 March 2009 were set out in the Company's annual report for the year ended 31 March 2009.

On 27 May 2009, two of the independent third parties converted the New Convertible Notes of an aggregate principal amount of HK\$11,000,000, which resulted in a total number of 40,145,985 shares of HK\$0.01 each being issued by the Company.

On 18 August 2009, Global Wealthy Limited ("Global Wealthy"), a substantial shareholder of the Company and a company wholly and beneficially owned by Mr. Suen Cho Hung, Paul, an Executive Director and the Chairman of the Company, converted the remaining balance of the New Convertible Notes in the aggregate principal amount of HK\$21,500,000, which resulted in a total number of 78,467,152 shares of HK\$0.01 each being issued by the Company.

On 8 January 2010, the Company entered into a placing agreement with Kingston Securities Limited ("Kingston"), pursuant to which Kingston agreed, amongst other things, to procure on a best effort basis, placees to subscribe in cash of the Company's convertible notes ("Convertible Notes 2010") with principal amount up to HK\$244,900,000 at an initial conversion price of HK\$0.62 per share. The Convertible Notes 2010 will be due on 27 January 2013 and is interest-bearing at 1% per annum. On 28 January 2010, Convertible Notes 2010 in the aggregate principal amount of HK\$244,900,000 were issued to not less than six placees.

On 29 January 2010, three placees converted the Convertible Notes 2010 of an aggregate principal amount of HK\$55,800,000, which resulted in a total number of 90,000,000 shares of HK\$0.01 each being issued by the Company.



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2010

### 16. CONVERTIBLE NOTES (continued)

Notes: (continued)

After the above conversions, as at 31 March 2010 and 30 September 2010, the outstanding principal amount of the Convertible Notes 2010 was HK\$189,100,000 and no New Convertible Notes was outstanding.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The effective interest rate of the liability component range from 8.57% to 9.68%.

The movement of the liability component of the convertible notes for the period is set out below:

	<b>As at 30 September 2010 HK\$'000 (Unaudited)</b>	As at 31 March 2010 HK\$'000 (Audited)
Liability component at the beginning of the period/year	<b>147,882</b>	30,563
Nominal value of the convertible notes issued during the period/year	–	244,900
Equity component	–	(53,148)
Direct transaction costs attributable to the liability component	–	(3,010)
Interest expenses for the period/year	<b>7,525</b>	3,277
Interest paid	<b>(948)</b>	(323)
Conversion of convertible notes	–	(74,377)
Liability component at the end of the period/year	<b>154,459</b>	147,882

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## Notes to the Condensed Consolidated Interim Financial Statements

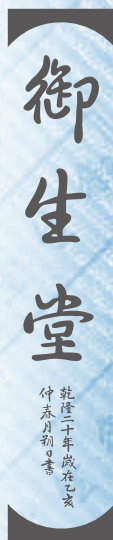
For the six months ended 30 September 2010

### 17. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000 (Unaudited)
Authorised:		
At 1 April and 30 September 2010 ordinary shares of HK\$0.01 each	10,000,000	100,000
Issued and fully paid:		
At 1 April 2010 ordinary shares of HK\$0.01 each	2,555,480	25,555
Issue of ordinary shares upon exercise of share options ( <i>note</i> )	30,000	300
At 30 September 2010 ordinary shares of HK\$0.01 each	<b>2,585,480</b>	<b>25,855</b>

*Note:*

During the six months ended 30 September 2010, the subscription rights attaching to 30,000,000 share options were exercised at the subscription price of HK\$0.272 per share, resulted in the issue of 30,000,000 shares of the Company of HK\$0.01 each for a cash consideration of approximately HK\$8,160,000 and the transfer of approximately HK\$5,047,000 from the share option reserve to the share premium account.





## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2010

### 18. SHARE OPTIONS

Details of specific category of share options is as follows:

Date of grant of share options	Exercise period of share options	Exercise price of share options <i>HK\$ per share</i>	Closing price of the Company's shares immediately before the grant date <i>HK\$ per share</i>
01-09-2009	01-09-2009 to 31-08-2012	0.272	0.208

The movement of share options under the share option scheme of the Company during the period is presented as follows:

Name or category of participant	Number of share options				
	At 1 April 2010 <i>'000</i>	Granted during the period <i>'000</i>	Exercised during the period <i>'000</i>	Lapsed during the period <i>'000</i>	At 30 September 2010 <i>'000</i>
<b>Directors</b>					
Suen Cho Hung, Paul	16,000	–	–	–	16,000
Sue Ka Lok	16,000	–	–	–	16,000
	32,000	–	–	–	32,000
<b>Employees</b>					
In aggregate	30,000	–	(30,000)	–	–
<b>Total</b>	62,000	–	(30,000)	–	32,000

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## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2010

### 18. SHARE OPTIONS (continued)

Notes:

- (a) The share options granted are vested upon granted.
- (b) The exercise price of the share options is subject to adjustments in the case of capitalisation of profits or reserve, rights or bonus issues, consolidation, subdivision or reduction of the share capital or other changes in the capital structure of the Company.
- (c) The closing price per share quoted on the Stock Exchange on the trading date immediate before the date on which the share options were granted was HK\$0.208.
- (d) The weighted average closing price per share quoted on the Stock Exchange on the trading dates before the dates on which the share options were exercised was HK\$0.94.
- (e) Subsequent to the period ended 30 September 2010, an aggregate of 10,000,000 share options were exercised by a director of the Company, at an exercise price of HK\$0.272 per share which resulted in the issue of 10,000,000 shares of the Company of HK\$0.01 each.

During the six months ended 30 September 2010, an aggregate of 30,000,000 share options were exercised by certain employees of the Group, at an exercise price of HK\$0.272 per share, which resulted in the issue of 30,000,000 shares of the Company of HK\$0.01 each, an increase of share capital of HK\$300,000, an increase of share premium of approximately HK\$12,907,000 and the reduction in the share option reserve of approximately HK\$5,047,000.

### 19. CAPITAL COMMITMENTS

	<b>As at 30 September 2010 HK\$'000 (Unaudited)</b>	As at 31 March 2010 HK\$'000 (Audited)
Commitments for acquisition of property, plant and equipment	<b>820</b>	-

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## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2010

### 20. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for the properties were negotiated for terms of two to five years.

At 30 September 2010 and 31 March 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 30 September 2010 HK\$'000 (Unaudited)</b>	As at 31 March 2010 HK\$'000 (Audited)
Within one year	<b>2,721</b>	2,429
In the second to fifth years, inclusive	<b>5,622</b>	5,828
	<b>8,343</b>	8,257

### 21. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group also had the following related party transactions for the six months period ended 30 September 2010 and 2009.

Compensation of key management personnel of the Group:

	<b>Six months ended 30 September</b>	
	<b>2010 HK\$'000 (Unaudited)</b>	2009 HK\$'000 (Unaudited)
Short term employee benefits	<b>1,730</b>	510
Post-employment benefits	<b>72</b>	18
Equity settled share-based payment expenses	<b>–</b>	5,384
Total compensation paid to key management personnel	<b>1,802</b>	5,912

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## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2010

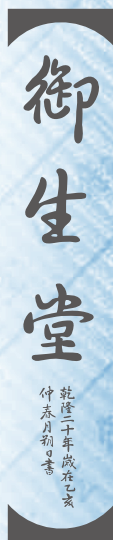
### 22. EVENTS AFTER THE END OF THE REPORTING PERIOD

In addition to those disclosed in note 18(e) to the condensed consolidated interim financial statements, other significant events happened after the end of the reporting period are as follow:

- (i) On 28 September 2010, the Company entered into a placing agreement with a placing agent, pursuant to which the Company agreed to place through the placing agent, on a fully underwritten basis, 517,000,000 new shares of the Company at a price of HK\$0.285 per share. The placing was completed on 12 October 2010. Further details of the transaction were set out in the Company's announcement dated 28 September 2010 and 12 October 2010.
- (ii) On 10 November 2010, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent agreed to place, on a best effort basis, up to 1,000,000,000 new shares of the Company at a placing price of HK\$0.32 per share. The placing is subject to shareholders' approval at a special general meeting of the Company. Further details of the proposed placing were set out in the Company's announcement dated 10 November 2010.

### 23. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 26 November 2010.



## Other Information

### INTERIM DIVIDEND

The Board of Directors (the "Board") of the Company has resolved not to declare an interim dividend for the six months ended 30 September 2010 (six months ended 30 September 2009: nil).

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2010, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

#### Long positions in shares of the Company:

Name of director	Capacity and nature of interest	Number of shares held	Total interests	Approximate percentage of the Company's issued share capital
28 Mr. Suen Cho Hung, Paul	Interest held by controlled corporation	437,433,866 (Note 1)	–	–
	Directly beneficially owned	10,000,000	447,433,866	17.31%

#### Long positions in share options of the Company:

Name of director	Capacity and nature of interest	Number of underlying shares	Approximate percentage of the Company's issued share capital
Mr. Suen Cho Hung, Paul	Directly beneficially owned	16,000,000 (Note 2)	0.62%
Mr. Sue Ka Lok	Directly beneficially owned	16,000,000 (Note 3)	0.62%

## Other Information

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Notes:

1. These shares were held by Global Wealthy Limited, which was a wholly owned subsidiary of Excelsior Kingdom Limited which in turn was wholly owned by Mr. Suen Cho Hung, Paul. Accordingly, Mr. Suen Cho Hung, Paul was deemed to be interested in 437,433,866 shares under the SFO.
2. This represented the interest of Mr. Suen Cho Hung, Paul in 16,000,000 underlying shares issuable under the share options granted by the Company to him on 1 September 2009 under the share option scheme of the Company adopted by the shareholders of the Company on 30 December 2002 ("Share Option Scheme"). The consideration paid by Mr. Suen on acceptance of the share options granted was HK\$1.00. The exercise price of the share options is HK\$0.272 per share and the exercise period is between 1 September 2009 and 31 August 2012.
3. This represented the interest of Mr. Sue Ka Lok in 16,000,000 underlying shares issuable under the share options granted by the Company to him on 1 September 2009 under the Share Option Scheme. The consideration paid by Mr. Sue on acceptance of the share options granted was HK\$1.00. The exercise price of the share options is HK\$0.272 per share and the exercise period is between 1 September 2009 and 31 August 2012.

Save as disclosed above, as at 30 September 2010, none of the directors or chief executive of the Company had registered an interest or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SHARE OPTIONS

Details of movement of share options of the Company during the six months ended 30 September 2010 are set out in note 18 to the condensed consolidated interim financial statements. Details of the share option scheme of the Company are as disclosed in the Company's 2010 annual report.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and in the "Share Options" disclosures in note 18 to the condensed consolidated interim financial statements, at no time during the six months ended 30 September 2010 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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## Other Information

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September 2010, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

#### Long positions in shares and underlying shares of the Company:

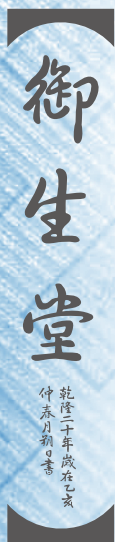
Name of shareholder	Capacity and nature of interest	Number of shares held	Number of underlying shares	Total interests	Approximate percentage of the Company's issued share capital
Mr. Suen Cho Hung, Paul	Interest held by controlled corporation	437,433,866 (Note 1)	-	-	-
	Directly beneficially owned	10,000,000	16,000,000 (Note 2)	463,433,866	17.92%
Excelsior Kingdom Limited	Interest held by controlled corporation	437,433,866 (Note 1)	-	437,433,866	16.92%
Global Wealthy Limited	Directly beneficially owned	437,433,866 (Note 1)	-	437,433,866	16.92%

#### Notes:

- These shares were held by Global Wealthy Limited, which was a wholly owned subsidiary of Excelsior Kingdom Limited which in turn was wholly owned by Mr. Suen Cho Hung, Paul. Accordingly, Mr. Suen Cho Hung, Paul and Excelsior Kingdom Limited were deemed to be interested in 437,433,866 shares under the SFO.
- This represented the interest of Mr. Suen Cho Hung, Paul in 16,000,000 underlying shares issuable under the share options granted by the Company to him on 1 September 2009 under the Share Option Scheme. The consideration paid by Mr. Suen on acceptance of the share options granted was HK\$1.00. The exercise price of the share options is HK\$0.272 per share and the exercise period is between 1 September 2009 and 31 August 2012.

The interests of Mr. Suen Cho Hung, Paul, Excelsior Kingdom Limited and Global Wealthy Limited in 437,433,866 shares of the Company referred to in note 1 related to the same parcel of shares.

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 30 September 2010 as required pursuant to section 336 of the SFO.



## Other Information

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 September 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

### CORPORATE GOVERNANCE PRACTICES

The Company had adopted the principles and complied with all the applicable provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2010 except for the following deviation:

#### *Code Provision A.4.1*

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

#### *Deviation*

The Independent Non-executive Directors of the Company are not appointed for a specific term but shall retire from office by rotation at least once every three years as stated in bye-law 87 of the Company's Bye-laws which provides that at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of all directors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2010.

### AUDIT COMMITTEE

As at 30 September 2010, the Audit Committee comprised four Independent Non-executive Directors, namely Mr. Wong Kwok Tai (Chairman), Mr. Weng Yixiang, Mr. Lu Xinsheng and Mr. Xiong Wei. On 1 October 2010, Mr. Xiong Wei resigned as Independent Non-executive Director and a member of the Audit Committee and Remuneration Committee. The principal duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal controls. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2010.

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## Other Information

### REMUNERATION COMMITTEE

As at 30 September 2010, the Remuneration Committee comprised five members, including one Executive Director, namely Mr. Sue Ka Lok (Chairman) and four Independent Non-executive Directors, namely Mr. Wong Kwok Tai, Mr. Weng Yixiang, Mr. Lu Xinsheng and Mr. Xiong Wei (resigned on 1 October 2010). The principal duties of the Remuneration Committee are to review and determine the remuneration package of the directors and senior management of the Group.

On Behalf of the Board

**Suen Cho Hung, Paul**

*Chairman*

Hong Kong, 26 November 2010

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