



聯康生物科技集團有限公司*

Uni-Bio Science Group Limited

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



► INTERIM REPORT
2012



* For identification purposes only



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. TSAO Hoi Ho, Terry
Mr. LOU Lok Kuong
Mr. LEUNG Ka Chun

AUDIT COMMITTEE

Mr. TSAO Hoi Ho, Terry (*Chairman of the Audit Committee*)
Mr. LOU Lok Kuong
Mr. LEUNG Ka Chun

REMUNERATION COMMITTEE

Mr. TONG Kit Shing
Mr. TSAO Hoi Ho, Terry
Mr. LOU Lok Kuong (*Chairman of the Remuneration Committee*)
Mr. LEUNG Ka Chun

NOMINATION COMMITTEE

Mr. TONG Kit Shing
Mr. TSAO Hoi Ho, Terry
Mr. LOU Lok Kuong
Mr. LEUNG Ka Chun (*Chairman of the Nomination Committee*)

CHIEF EXECUTIVE OFFICER

Mr. LIU Guoyao

COMPANY SECRETARY

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

PRINCIPAL BANKERS

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

STOCK CODE

0690

WEBSITE

www.uni-bioscience.com
Uni-Bio Science Group Limited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

		(Unaudited) Six months ended 30 September	
	Notes	2012 HK\$'000	2011 HK\$'000
Continuing operation			
Turnover	3	46,894	24,513
Cost of sales		(9,436)	(10,086)
		<hr/>	<hr/>
Gross profit		37,458	14,427
Other revenues		257	3,426
Distribution costs		(21,559)	(12,115)
Administrative expenses		(29,052)	(33,346)
Impairment loss of intangible assets		–	(18,477)
Impairment loss of property, plant and equipment		–	(20,976)
Impairment loss of other receivables, deposits and prepayments		–	(2,569)
		<hr/>	<hr/>
Loss from operation		(12,896)	(69,630)
Finance costs		(1,769)	(2,108)
		<hr/>	<hr/>
		(14,665)	(71,738)
Share of net loss of associates		(249)	(557)
		<hr/>	<hr/>
Loss before income tax		(14,914)	(72,295)
Income tax	6	(602)	(88)
		<hr/>	<hr/>
Net loss for the period from continuing operations		(15,516)	(72,383)
Discontinued operation			
Loss for the period from discontinued operations		–	–
		<hr/>	<hr/>
Loss for the period		(15,516)	(72,383)



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the six months ended 30 September 2012

	(Unaudited) Six months ended 30 September	
Notes	2012 HK\$'000	2011 HK\$'000
Loss for the period	(15,516)	(72,383)
Other comprehensive income		
Exchange differences on translation of foreign operations	<u>15,299</u>	<u>14,392</u>
Total comprehensive income for the period	<u>(217)</u>	<u>(57,991)</u>

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2012

		(Unaudited) Six months ended 30 September	
	Notes	2012 HK\$'000	2011 HK\$'000
Attributable to:			
Owners of the Company			
– Continuing operation		(217)	(57,991)
– Discontinued operation		–	–
Non-controlling interests			
– Continuing operation		–	–
– Discontinued operation		–	–
Loss for the period		<u>(217)</u>	<u>(57,991)</u>
		HK cents	HK cents
Loss per share from continuing operations attributable to the owners of the Company during the period	7		
– Basic		(1.2)	(5.5)
– Diluted		<u>(1.2)</u>	<u>(5.5)</u>
Loss per share from continuing and discontinued operations attributable to the owners of the Company during the period			
– Basic		(1.2)	(5.5)
– Diluted		<u>(1.2)</u>	<u>(5.5)</u>



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012

	Notes	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Non-current assets			
Property, plant and equipment	8	171,394	163,653
Investment properties		23,558	23,558
Leasehold land and land use rights		17,396	17,553
Goodwill	9	259,416	259,416
Intangible assets	10	292,973	292,973
Interests in associates		10,121	10,375
		<hr/>	<hr/>
		774,858	767,528
		<hr/>	<hr/>
Current assets			
Leasehold land and land use rights		1,089	1,089
Inventories		7,809	7,807
Trade receivables	11	21,384	17,241
Other receivables, deposits and prepayments		83,225	80,467
Amounts due from associates		290	290
Cash and cash equivalents		16,831	22,273
		<hr/>	<hr/>
		130,628	129,167
		<hr/>	<hr/>
Current liabilities			
Trade payables	12	8,238	5,897
Accrued charges and other payables		16,389	15,022
Amounts due to associates		8,000	8,001
Amounts due to directors		9,450	9,464
Bank loans	13	34,534	34,534
Other borrowings	13	2,922	1,603
Current tax payable		2,462	2,462
		<hr/>	<hr/>
		81,995	76,983
		<hr/>	<hr/>
Net current assets		48,633	52,184
		<hr/>	<hr/>
Total assets less current liabilities		823,491	819,712

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 September 2012

	Notes	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Non-current liabilities			
Bank loans	13	2,467	4,933
Other borrowings	13	52,662	46,200
Deferred tax liabilities		1,277	1,277
		<u>56,406</u>	<u>52,410</u>
NET ASSETS		<u>767,085</u>	<u>767,302</u>
CAPITAL AND RESERVES			
Share capital	14	13,048	13,048
Reserves		754,037	754,254
TOTAL EQUITY		<u>767,085</u>	<u>767,302</u>



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	(Unaudited) Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Net cash generated/(used) in operating activities	1,332	(30,273)
Net cash used in investing activities	(12,089)	(52,239)
Net cash generated from financing activities	5,315	58,556
(Decrease)/increase in cash and cash equivalents	(5,442)	23,956
Cash and cash equivalents at 1 April	22,273	16,545
Cash and cash equivalents at 30 September	16,831	40,501
Analysis of balances of cash and cash equivalents: Bank balances and cash	16,831	40,501

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Share capital	Share premium	Capital reserve	Statutory reserve	Share- based payments reserve	Distributable reserve (Note)	Exchange reserve	Retained profits/ (accumulated losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011 (Audited)	13,048	250,889	(267)	6,289	48,147	1,291,798	145,772	(907,872)	847,804
Total comprehensive income/ (expenses) for the period	-	-	-	-	-	-	14,392	(72,383)	(57,991)
At 30 September 2011 (Unaudited)	13,048	250,889	(267)	6,289	48,147	1,291,798	160,164	(980,255)	789,813
At 1 April 2012 (Audited)	13,048	250,889	(267)	6,289	41,537	1,291,798	168,134	(1,004,126)	767,302
Total comprehensive income/ (expenses) for the period	-	-	-	-	-	-	15,299	(15,516)	(217)
At 30 September 2012 (Unaudited)	13,048	250,889	(267)	6,289	41,537	1,291,798	183,433	(1,019,642)	767,085

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 2012.

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

HKAS 24 (Revised)	Related Party Disclosures ¹
HKFRS 9	Financial Instruments ¹

¹ Effective for annual periods beginning on or after 1 January 2013.



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

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.

At 30 September 2012, the Group has two reportable continuing segments (2011: 3 reportable continuing 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.

Continuing Segment

- (1) In-house chemical pharmaceutical products – Manufacture and sale of in-house chemical pharmaceutical products.
- (2) In-house biological pharmaceutical products – Manufacture and sale of in-house biological pharmaceutical products.

Discontinued Segment

- (1) Distribution of third party pharmaceutical products – Distribution of third party 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 2012 (unaudited)

	Continuing Segment		Discontinued Segment	Total HK\$'000
	In-house chemical pharmaceutical products HK\$'000	In-house biological pharmaceutical products HK\$'000	Distribution of third party pharmaceutical products HK\$'000	
Revenue	21,079	25,815	-	46,894
Intersegment sales	-	-	-	-
Revenue from reportable segment	21,079	25,815	-	46,894
Segment results – gross	17,185	20,273	-	37,458
Operating income & expenses	(21,412)	(26,431)	-	(47,843)
Impairment loss on property, plant and equipment	-	-	-	-
Impairment losses of other receivables, deposits and prepayment	-	-	-	-
Amortisation of land use rights	-	(155)	-	(155)
Change in fair value of IP	-	-	-	-
Impairment of goodwill	-	-	-	-
Segment results	(4,227)	(6,313)	-	(10,540)
Unallocated operating income and expenses				(2,356)
Operating loss				(12,896)
Finance costs				(1,769)
Share of loss of associates				(249)
Loss before taxation				(14,914)
Income tax				(602)
Loss for the year				(15,516)

3. Segment information (Continued)

	Continuing Segment		Discontinued Segment	Total HK\$'000
	In-house chemical pharmaceutical products HK\$'000	In-house biological pharmaceutical products HK\$'000	Distribution of third party pharmaceutical products HK\$'000	
Segment assets	108,843	496,077	298,080	903,000
Unallocated corporate assets				2,486
Total assets				<u>905,486</u>
Segment liabilities	17,105	21,105	4,981	43,191
Unallocated corporate liabilities				61,848
Total liabilities				<u>105,039</u>
Capital expenditure	7,563	4,526	–	12,089
Amortisation	–	155	–	155
Depreciation	2,962	4,659	–	7,621



3. Segment information (Continued)

For the six months ended 30 September 2011 (unaudited)

	Continuing Segment			Total HK\$'000
	In-house chemical pharmaceutical products HK\$'000	In-house biological pharmaceutical products HK\$'000	Distribution of third party pharmaceutical products HK\$'000	
Revenue	9,702	9,486	5,325	24,513
Intersegment sales	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue from reportable segment	9,702	9,486	5,325	24,513
Segment results – gross	7,014	7,189	224	14,427
Operating income & expenses	(8,429)	(22,606)	(5,946)	(36,981)
Impairment loss on property, plant and equipment	(20,976)	-	-	(20,976)
Impairment losses of other receivables, deposits and prepayment	<u>-</u>	<u>(2,569)</u>	<u>-</u>	<u>(2,569)</u>
Amortisation of land use rights	-	-	-	-
Change in fair value of IP	-	-	-	-
Impairment of goodwill	<u>-</u>	<u>-</u>	<u>(18,477)</u>	<u>(18,477)</u>
Segment results	(22,391)	(17,986)	(24,199)	(64,576)
Unallocated operating income and expenses				<u>(5,054)</u>
Operating loss				(69,630)
Finance costs				(2,108)
Share of loss of associates				<u>(557)</u>
Loss before taxation				(72,295)
Income tax				<u>(88)</u>
Loss for the year				<u>(72,383)</u>

3. Segment information (Continued)

	Continuing Segment			Total HK\$'000
	In-house chemical pharmaceutical products HK\$'000	In-house biological pharmaceutical products HK\$'000	Distribution of third party pharmaceutical products HK\$'000	
Segment assets	105,997	508,534	299,690	914,221
Unallocated corporate assets				3,506
Total assets				917,727
Segment liabilities	2,432	35,886	4,397	42,715
Unallocated corporate liabilities				85,199
Total liabilities				127,914
Capital expenditure	3,930	449	2	4,381
Amortisation	–	583	–	583
Depreciation	7,195	10,198	5,170	22,563
Impairment loss of property, plant and equipment	20,976	–	–	20,976

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 2012 and 30 September 2011 respectively.

None of the customers accounted for 10% or more of the total turnover of the Group during the six months ended 30 September 2012 and 30 September 2011 respectively.



4. Loss for the period

Loss for the period is stated after the following:

	Unaudited six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
After charging:		
Cost of inventories sold	8,923	10,086
Depreciation of fixed assets		
– owned assets	7,621	22,563
Share-based payment expenses	–	–
Impairment loss of intangible assets	–	18,477
Impairment loss of other receivables, deposits and prepayments	–	2,569
Impairment loss of property, plant and equipment	–	20,976
Research and development costs	1,677	6,457

5. Staff costs

	Unaudited six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Wages	4,949	5,558
Pension costs – defined contribution plans	161	30
	<u>5,110</u>	<u>5,588</u>

6. Income tax

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

	Unaudited six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Hong Kong profits tax	—	—
Taxation in other jurisdictions	602	88
Deferred taxation	—	—
	<hr/>	<hr/>
	602	88
	<hr/>	<hr/>

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the six months ended 30 September 2012. 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

(a) *Basic loss per share*

The calculation of the basic earnings per share is based on the continuing operation loss attributable to equity holders of the Company of approximately HK\$15,516,000 (2011: loss of HK\$72,383,000) and the weighted average number of 1,304,846,293 (2011: 1,304,846,293) ordinary shares in issue during the Period.

The calculation of the basic earnings per share is based on the continuing and discontinued operation profit attributable to equity holders of the Company of approximately HK\$15,516,000 (2011: loss of HK\$72,383,000) and the weighted average number of 1,304,846,293 (2011: 1,304,846,293) ordinary shares in issue during the Period.



7. Loss per share (Continued)

(b) Diluted loss per share

The calculation of the diluted earnings per share is based on the continuing operation loss attributable to owners of the Company of approximately HK\$15,516,000 (2011: loss of HK\$72,383,000) and the weighted average number of 1,304,846,293 (2011: 1,304,846,293) ordinary shares in issue during the Period.

The calculation of the diluted earnings per share is based on the continuing and discontinued operation profit attributable to owners of the Company of approximately HK\$15,516,000 (2011: loss of HK\$72,383,000) and the weighted average number of 1,304,846,293 (2011: 1,304,846,293) ordinary shares in issue during the Period.

	Unaudited six months ended 30 September	
	2012	2011
Number of shares:		
Issued ordinary shares at beginning of period	1,304,846,293	1,304,846,293
Effect of issue of shares upon open offer with bonus issue	—	—
Effect of share consolidation	—	—
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>1,304,846,293</u>	<u>1,304,846,293</u>
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<u>1,304,846,293</u>	<u>1,304,846,293</u>

8. Property, plant and equipment

	Unaudited HK\$'000
Cost	
At 1 April 2012	391,792
Additions	12,089
Exchange adjustment	<u>7,836</u>
At 30 September 2012	<u>411,717</u>
Accumulated depreciation/impairment	
At 1 April 2012	(228,139)
Charge for the period	(7,621)
Exchange adjustment	<u>(4,563)</u>
At 30 September 2012	<u>(240,323)</u>
Net book value	
At 30 September 2012	<u>171,394</u>
At 31 March 2012	<u>163,653</u>



9. Goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to country of operation and business segment as follows:

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Pharmaceutical products – the PRC	<u>259,416</u>	<u>259,416</u>

The recoverable amount of the CGU is determined based on value-in-use calculations.

Key assumptions used for value-in-use calculations:

	Unaudited 30 September 2012 %	Audited 31 March 2012 %
Gross margin	90	24-40
Growth rate	30-125	0-40
Discount rate	<u>17</u>	<u>20-24</u>

Management determined the budgeted gross margin based on past performance and its expectation for market development. The weighted average growth rates used are consistent with the forecast included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

10. Intangible assets

Carrying amount

	Trademarks and certificates HK\$'000	Technical know-how HK\$'000	Product development in progress HK\$'000	Total HK\$'000
At 30 September 2012	<u>54,788</u>	<u>42,975</u>	<u>195,210</u>	<u>292,973</u>
At 31 March 2012	<u>54,788</u>	<u>42,975</u>	<u>195,210</u>	<u>292,973</u>

Trademarks and certificates represent costs in obtaining trademarks and registration certificates for medicines.

Technical know-how mainly represents techniques and formulas acquired for the development of products and production technology.

Product development in progress mainly represent costs generated internally for the development of products and product technology.

The above intangible assets have definite useful lives and are amortised on a straight line basis over their remaining estimated useful life of five to ten years.

The amortisation charge for the year is included in “general and administrative expense” in the consolidated statement of comprehensive income.

No impairment was made during the period.



11. Trade receivables

The ageing analysis of trade receivables is as follows:

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Within 30 days	2,705	4,142
31 – 60 days	146	4,644
61 – 90 days	638	4,055
Over 90 days	17,895	11,189
	<hr/>	<hr/>
	21,384	24,030
Less: Provision for impairment of trade receivables	–	(6,789)
	<hr/>	<hr/>
	21,384	17,241
	<hr/>	<hr/>

Customers are generally granted with credit terms of 30 to 90 days. Longer payment terms are granted to those customers which have good payment history and long-term business relationship with the Group.

12. Trade payables

The ageing analysis of trade payables is as follows:

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Current – 30 days	102	886
31 – 60 days	218	357
61 – 90 days	9	289
Over 90 days	7,909	4,365
	<hr/>	<hr/>
	8,238	5,897
	<hr/>	<hr/>

13. Bank loans and other borrowings

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Bank loans	34,534	34,534
Other borrowing – secured (i)	55,584	47,803
Other borrowing	2,467	4,933
	<hr/>	<hr/>
	92,585	87,270
Classified as non-current liabilities:		
Other borrowing	–	–
Other borrowing – secured (i)	55,129	51,133
	<hr/>	<hr/>
	37,456	36,137
	<hr/>	<hr/>

- (i) Reference is made to the Company's announcement dated 14 November 2011. On 24 May 2011 Smart Focus Group Limited, an independent third party, made available to the Company a loan facility of up to HK\$300,000,000 bearing interest at 6% per annum. Availability of the loan facility lasts for three years. As at 30 September 2012, HK\$51,200,000 had been drawn down and accrued interest up to 30 September 2012 amounted to approximately HK\$2,331,000.

As at 30 September 2012, the Group's borrowings were repayable as follows:

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
The maturity of the above loans:		
Within 1 year	37,456	36,137
Between 1 to 5 years	55,129	51,133
	<hr/>	<hr/>
	92,585	87,270
	<hr/>	<hr/>



14. Share capital

	Nominal value per share HK\$	Number of shares '000	Amount HK\$'000
Authorised:			
At 1 April 2011	0.01	500,000,000	5,000,000
Issue of Shares	0.01	—	—
At 31 March 2012 and 30 September 2012	0.01	<u>500,000,000</u>	<u>5,000,000</u>
	Nominal value per share HK\$	Number of shares '000	Amount HK\$'000
Issued and fully paid:			
At 1 April 2011	0.01	1,304,846	13,048
Issue of shares	0.01	—	—
At 31 March 2012 and 30 September 2012	0.01	<u>1,304,846</u>	<u>13,048</u>

15. 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”).



15. 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.



15. 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 2012 under 2006 Scheme are as follows:

	Number of share options					Outstanding at 30 September 2012 '000	Exercised price HK\$	Date of grant	Exercise period	Remaining contractual life
	Outstanding 31 March 2012 and 1 April 2012 '000	Granted during the year '000	Adjusted during the year '000	Exercised during the year '000	Lapsed during the year '000					
Employees	7,159	-	-	-	(7,159)	-	1.9630	19 June 2006	19 June 2006 to 21 October 2011	N/A
Employees	1,551	-	-	-	-	1,551	4.5100	28 January 2008	28 January 2008 to 21 September 2016	3.98 years
Others	4,126	-	-	-	-	4,126	4.5100	28 January 2008	28 January 2008 to 21 September 2016	3.98 years
Others	73,500	-	-	-	-	73,500	1.000	26 May 2009	26 May 2009 to 21 September 2016	3.98 years
	<u>86,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,159)</u>	<u>79,177</u>				
Exercisable at the end of the period						<u>79,177</u>				
Weight average exercise price (HK\$)	<u>1.3107</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>1.25</u>				

15. Share options (Continued)

Details of the share option movements during the six months ended 30 September 2011 under the 2001 Scheme and 2006 Scheme are as follows:

	Outstanding 31 March 2011 and 1 April 2011 '000	Number of share options				Outstanding at 30 September 2011 '000	Exercised price HK\$	Date of grant	Exercise period	Remaining contractual life
		Granted during the year '000	Adjusted during the year '000	Exercised during the year '000	Lapsed during the year '000					
Employees	7,159	-	-	-	-	7,159	1.9630	19 June 2006	19 June 2006 to 21 October 2011	0.06 year
Employees	1,551	-	-	-	-	1,551	4.5100	28 January 2008	28 January 2008 to 21 September 2016	4.98 years
Others	4,126	-	-	-	-	4,126	4.5100	28 January 2008	28 January 2008 to 21 September 2016	4.98 years
Others	73,500	-	-	-	-	73,500	1.000	26 May 2009	26 May 2009 to 21 September 2016	4.98 years
	<u>86,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,336</u>				
Exercisable at the end of the period						<u>86,336</u>				
Weight average exercise price (HK\$)	<u>1.3107</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>1.3107</u>				

16. Commitments

(a) Operating lease commitment

At 30 September 2012, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Within 1 year	336	1,606
After 1 year but within 5 years	196	1,932
	<u>532</u>	<u>3,538</u>



16. Commitments (Continued)

(b) Capital commitments

At the end of the reporting period, the Group had capital commitments contracted but not provided lot in the financial statements as follows:

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Contracted for:		
– Purchases of technical know-how	4,132	4,132
– Purchases of property, plant and equipment	19,874	12,324
	24,006	16,456

17. 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 2011: Nil).

18. 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 approximately HK\$46,894,000 representing an increase of 91% compared with approximately HK\$24,513,000 recorded in the last corresponding period. The gross profit was approximately HK\$37,458,000 representing an increase of 159% as compared with approximately HK\$14,427,000 recorded in the last corresponding period. The Group recorded a net loss of approximately HK\$(15,516,000) for the six months ended 30 September 2012 compared to a net loss of approximately HK\$(72,383,000) in the 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. The Group continued to face challenges of surging material and operating costs, and increasing competition. In order to tackle the prolonged turmoil noted in the financial market which has adversely affected the economy, we have adopted a more prudent business and financial management policy to ensure that we maintain adequate working capital to finance our operations. The Group also decided to suspend the development of its chemical pharmaceutical products in pipeline and concentrate its resources in developing its pipeline of innovative biological pharmaceutical products which are more promising. The Group also decided to discontinued the loss making distribution business segment.

Despite these challenges, the Group has continuously strengthened its management team which has been committed to rationalizing and re-engineering its work flow and processes to reduce costs and increase efficiency. The government of the PRC continued to support a series of policies, in particular, loosening of credit restrictions and stimulation of domestic consumption to drive up the GDP growth. These policies helped to ease certain negative impact, such as increased costs and market competition, 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.



Business Review and Prospect (Continued)

In-house biological pharmaceutical products

This division achieved a turnover of approximately HK\$25,815,000 and a segment results of approximately HK\$20,273,000 for the six months ended 30 September 2012. The turnover and segment results of corresponding period in last financial year were approximately HK\$9,486,000 and approximately HK\$7,189,000 respectively. Sales in last corresponding period was limited. One of the two products of the segment could not be produced for sale because the corresponding GMP certificate was not yet renewed on time due to governmental administrative reasons. The GMP was obtained in September 2011 and there was no such hindrance in current period.

In-house chemical pharmaceutical products

This division achieved a turnover of approximately 21,079,000 with segment results of approximately HK\$17,185,000 for the six months ended 30 September 2012. The turnover and segment results were approximately HK\$9,702,000 and approximately HK\$7,014,000 respectively in the corresponding period of last financial year. Sales increase in current period due to more demand from old and new clients. Gross profit increase to 81.5% due to even better cost control.

Research Platforms

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

E.coli, Pichia Yeast and Mammalian cell expression system

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



Research Platforms (Continued)

E.coli constitutive secretion system

The Group is 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 genetargeted 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

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



Product Development (Continued)

rExendin-4

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

rExendin-4 is a non-insulin antidiabetic treatment candidate that stimulates the incretin pathway (a distinct mechanism of action) which is drawing attention in the medical community and has received the approval from State Food and Drug Administration in the PRC (“SFDA”) for clinical trials. Phase I clinical trials started in July 2006 and completed in 2007, Phase II clinical trials were also completed by the end of 2008. Phase III clinical trials commenced in June 2009. The self-developed bio-logical product is near to completion and the Board expects that upon formal approval by State Food and Drug Administration (“SFDA”) and after marketing of the product, there will be a drastic jump on the Company’s performance in the very near future.

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”).



Product Development (Continued)

rExendin-4 (Continued)

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.

As announced on 21 January 2011, the rhEPO-Fc has obtained approval to conduct Phase I Human Clinical trial on its applications in the People's Republic of China (the "PRC").

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.

cTP-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.



Product Development (Continued)

LFA3-Fc

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

rhIL-11

rhIL-11 is currently under Phase 3 clinical trials approved by the SFDA for the treatment of chemotherapy-induced thrombocytopenia. rhIL-11 is a Class II prescription new drug candidate that stimulates human body to make platelets, which is a type of blood cell. It is suitable for patients who have received certain types of chemotherapy and is used to help prevent the number of platelets circulating in the blood from dropping to dangerously low level which can cause the patient to have difficulties in blood clotting. rhIL-11 may reduce the need for platelet transfusions after chemotherapy. A study shows that after applying the drug to nonmyelosuppressed cancer patients, platelet counts increased significantly. Upon cessation of the treatment, platelet counts continued to increase for up to 7 days then returned to baseline within 14 days. Besides treating chemotherapy-induced thrombocytopenia, rhIL-11 is also shown to have a variety of non-haematological actions such as stimulation of osteoclast development, inhibition of proliferation of adipocytes, protection of the gastrointestinal mucosa, induction of acute phase response proteins and rheumatoid arthritis.

rhPTH 1-34

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

The Company is pleased to inform the shareholders that the Class II prescription new drugs Recombinant Human Parathyroid Hormone (1-34) (rhPTH 1-34) has completed its clinical trial process and a production of 300,000 trial dosages will be made and tested in some hospitals before the end of 31 December 2012. We expect that the final approval by the SFDA would be obtained by middle of 2013.



Product Development (Continued)

***rhPTH 1-34* (Continued)**

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

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

Strategic Alliance

The Group has also formed a strategic alliance with DaAn Gene Co., Ltd of Sun Yat-sen University ("DaAn") to cooperate on individualized diagnostic reagents and new drugs. DaAn is a public company listed on the Shenzhen Stock Exchange, 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 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 2012, the Group's bank deposits, bank balances and cash amounted to approximately HK\$16,831,000 and bank and other borrowings amounted to approximately HK\$92,585,000. At 30 September 2012, the Group has total assets of approximately HK\$905,486,000 current assets of approximately HK\$130,628,000 and current liabilities of approximately HK\$48,633,000. The gearing ratio, calculated by dividing the total debts over its total assets, was 10%.



Liquidity and Financial Resources (Continued)

Reference is made to the Company's announcement dated 14 November 2011. On 24 May 2011 Smart Focus Group Limited, an independent third party, made available to the Company a loan facility of up to HK\$300,000,000 bearing interest at 6% per annum. Availability of the loan facility lasts for three years. As at 30 September 2012, HK\$51,200,000 had been drawn down and accrued interest up to 30 September 2012 amounted to approximately HK\$2,331,000.

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 2012, leasehold building, leasehold land and land use rights and investment properties with an aggregate net book value of HK\$44,558,000 had been pledged to the Group's bankers for banking facilities granted to the Group.

At 30 September 2012, the Group did not have any material contingent liabilities.

Employment and Remuneration Policy

At 30 September 2012, the Group employed approximately 403 staff, including approximately 60 staff in the PRC R&D centres, approximately 165 staff in total in the PRC sales offices, approximately 168 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 2012, the beneficial interests of the directors and their associates in the issued share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (“SFO”), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Name of the Company/ associated corporation	Capacity	Number of issued ordinary shares held (L) (Note 1)	Approximate percentage of shareholding
TONG Kit Shing	The Company	Interest of a controlled corporation (Note 2)	302,918,844 shares of HK\$0.01 each	23.21%
LIU Guoyao	The Company	Interest of a controlled corporation (Note 2)	302,918,844 shares of HK\$0.01 each	23.21%

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 2012, 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	302,918,844 shares of HK\$0.01 each	23.21%

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 2012.

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 2012.

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 2012. 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 2012.

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 2012 with the directors of the Company.

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

Hong Kong, 15 November 2012

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

Executive Directors:

TONG Kit Shing (*Chairman*)
LIU Guoyao

Independent Non-Executive Directors:

TSAO Hoi Ho, Terry
LOU Lok Kuong
LEUNG Ka Chun