Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have not been audited by the Company's auditors but have been reviewed by the Company's Audit Committee.

The Directors are responsible for the preparation of the Group's unaudited condensed consolidated interim financial statements. In preparing these unaudited condensed consolidated interim financial statements, the Directors confirm that the basis of preparation, accounting policies and method of computation applied are consistent with those used in the audited consolidated financial statements for the year ended 31 March 2006, which are relevant to its operations.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies used in preparation of these unaudited condensed consolidated interim financial statements are consistent with those adopted in the financial statements for the year ended 31 March 2006. The HKICPA has issued certain new Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) and amendments to existing standards, collectively "New Standards"), certain of which are effective for accounting periods beginning on or after 1 April 2006. The Group has assessed the impact of these New Standards and concluded that the adoption of these New Standards in the current period did not have any material impact on this unaudited condensed consolidated interim financial statements.

The Group has not early applied the New Standards that have been issued but are not yet effective. The Group is still considering the potential impact of New Standards but is not yet in a position to determine whether the adoption of these New Standards would have a significant impact on its results of operations and financial position.

2. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly based on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 120 days, extending up to one year for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The aging analysis of trade receivables is as follows:

	(Unaudited) At 30 September 2006 HK$'000	(Audited) At 31 March 2006 HK$'000
Within 90 days	**35,619**	55,273
91 to 180 days	**12,153**	18,237
181 to 365 days	**37,685**	12,610
1 to 2 years	**8,617**	8,782
Over 2 years	**7,576**	6,034
	101,650	100,936
Less: Impairment loss on trade receivables	**(14,261)**	(14,124)
Change in fair value of financial assets through profit or loss	**(1,427)**	(635)
	85,962	86,177

The carrying amount of trade receivables approximate to their fair value.

3. CASH AND CASH EQUIVALENTS

At 30 September 2006, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to approximately HK$15,348,000 (31 March 2006: HK$9,057,000). In general, RMB is not freely convertible into other currencies. However, under the Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations of the People's Republic of China (the "PRC"), the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

4. SHARE CAPITAL

	(Unaudited) At 30 September 2006 HK$'000	(Audited) At 31 March 2006 HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
2,290,000,000 ordinary shares of HK$0.01 each	**22,900**	22,900

5. DEFERRED TAXATION

The movement in deferred tax liabilities arising from accelerated tax depreciation during the period is as follows:

	(Unaudited) HK$'000
At 1 April 2006	**102**
Deferred tax charged for the period	**–**
At 30 September 2006	**102**

The Group did not recognise tax losses arising in Hong Kong of approximately HK$14,323,000 (31 March 2006: HK$10,234,000) that can be carried forward against future taxable profits of the companies in which the losses arose.

At 30 September 2006, there were no significant unrecognised deferred tax liabilities (31 March 2006: Nil) for taxes that would have been payable on the unremitted earnings of certain of the Group's subsidiaries as the Group had no liability to pay additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its equity holders.

6. TRADE AND BILLS PAYABLES

The aging analysis of the trade and bills payables is as follows:

	(Unaudited) At 30 September 2006 HK$'000	(Audited) At 31 March 2006 HK$'000
Within 90 days	**4,678**	6,136
Between 91 to 180 days	**48**	2,023
Between 181 to 365 days	**219**	–
Between 1 to 2 years	**–**	164
	4,945	8,323

The carrying amount of trade and bills payables approximate to their fair value.

7. BANK INTEREST-BEARING BORROWINGS – SECURED

	(Unaudited) At 30 September 2006 HK$'000	(Audited) At 31 March 2006 HK$'000
Trust receipt loans		
– Secured	**3,117**	4,630

The bank interest-bearing borrowings as at 30 September 2006 and 31 March 2006 were short term which due within one year.

At 30 September 2006, the Group's banking facilities were supported by the followings:

– The pledge of the Group's fixed deposits of HK$7,384,000 (31 March 2006: HK$7,262,000); and

– Corporate guarantees from the Company and certain subsidiaries of the Company.

The Group has variable rates of borrowings which may carry interest with reference to the prevailing interest rates adopted both in Hong Kong and the PRC. All of the Group's borrowings are denominated in Renminbi or Hong Kong dollars.

The carrying amount of the short term bank interest-bearing borrowings was approximate to their fair value.

8. AMOUNTS DUE FROM/(TO) MINORITY SHAREHOLDERS

The amounts due from/(to) minority shareholders are unsecured, interest-free and have no fixed terms of repayment.

9. TURNOVER

The Group's turnover comprised the followings:

	(Unaudited) For the six months ended 30 September	
	2006	2005
	HK$'000	HK$'000
Manufacturing of pharmaceutical products	**17,252**	20,713
Trading of pharmaceutical products	**51,739**	49,749
	68,991	70,462

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

10. SEGMENT INFORMATION

Detailed segment information is presented by way of the Group's primary segment reporting basis, which is by business segment. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in the PRC.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the manufacturing segment engages in the development, manufacture and sales of pharmaceutical products;

(b) the trading segment engages in the marketing and distribution of imported pharmaceutical products;

(c) the oral insulin segment engages in the development and commercialisation of oral insulin products; and

(d) the gene development segment engages in the commercial exploitation and development of genome-related technology.

The following table provides an analysis of the revenues and results information for the Group's business segments:

	(Unaudited) Manufacturing Six months ended 30 September		(Unaudited) Trading Six months ended 30 September		(Unaudited) Oral insulin Six months ended 30 September		(Unaudited) Gene development Six months ended 30 September		(Unaudited) Consolidated Six months ended 30 September	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Segment revenue:										
Sales to external customers	**17,252**	20,713	**51,739**	49,749	**–**	–	**–**	–	**68,991**	70,462
Segment results	**(1,896)**	1,897	**5,563**	4,877	**(557)**	(797)	**(106)**	(1,135)	**3,004**	4,842
Bank interest income									**766**	445
Net unallocated expenses									**(2,274)**	(2,000)
Profit from operations									**1,496**	3,287
Finance costs									**(90)**	(848)
Profit before taxation									**1,406**	2,439
Taxation									**(147)**	(542)
Profit for the period									**1,259**	1,897
Attributable to:										
Equity holders of the Company									**1,276**	719
Minority interests									**(17)**	1,178
									1,259	1,897

11. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging/(crediting):

	(Unaudited) For the six months ended 30 September	
	2006	2005
	HK$'000	HK$'000
Cost of goods sold	**49,009**	47,110
Depreciation and amortisation of property, plant and equipment and land use rights	**2,472**	2,535
Amortisation of intangible assets	**371**	364
Compensation for key management personnel including amounts paid to the Directors and senior executives:		
– Salaries and other benefits	**1,962**	1,953
– Pension scheme contributions	**6**	6
Deficit on revaluation of property, plant and equipment and land use rights	**–**	2,000
Loss on disposal of property, plant and equipment and intangible assets, net	**41**	28
Exchange losses/(gains), net	**(115)**	22
Gain on disposal of a subsidiary	**(10)**	–
Bank interest income	**(766)**	(445)

12. FINANCE COSTS

	(Unaudited) For the six months ended 30 September	
	2006	2005
	HK$'000	HK$'000
Interest expenses on:		
Trust receipt loans wholly repayable within five years	**90**	60
Bank loans wholly repayable within five years	**–**	788
	90	848

13. TAXATION

No provision for Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of taxes prevailing in the countries in which the Group operates, interpretations and practices in respect thereof.

	(Unaudited) For the six months ended 30 September	
	2006	2005
	HK$'000	HK$'000
Current – Outside Hong Kong	**147**	793
Over-provision in prior years – Hong Kong	**–**	(251)
Total tax charge for the period	**147**	542

A reconciliation of the tax expense applicable to profit before taxation using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	(Unaudited) For the six months ended 30 September	
	2006	2005
	HK$'000	HK$'000
Profit before taxation	**1,406**	2,439
Tax at the statutory tax rates	**(940)**	(239)
Preferential statutory rate offered	**(87)**	(387)
Expenses not deductible for tax including companies with tax losses	**1,174**	1,419
Over-provision of profits tax for prior years	**–**	(251)
Tax charge at the Group's effective rate	**147**	542

Under the PRC income tax law, enterprises are subject to corporate income tax ("CIT") at a rate of 33%. However, since two of the Group's subsidiaries in the PRC are operating in specific development zones of the PRC, and the relevant tax authorities have granted those subsidiaries a preferential CIT rate of 15%.

In accordance with the relevant tax legislation in Malaysia, enterprises are subject to profits tax rate of a lower of a flat rate of MYR20,000 per annum or a rate of 3% of their net profits for the year. Certain of the Group's subsidiaries, which operate in Malaysia, elected to pay the profits tax at a flat rate of MYR20,000 per annum for each of the two periods ended 30 September 2006 and 2005.

14. DIVIDEND

The Directors do not recommend the payment of any interim dividend in respect of the six months ended 30 September 2006 (six months ended 30 September 2005: Nil).

15. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the Company's equity holders for the period of HK$1,276,000 (six months ended 30 September 2005: HK$719,000) and on 2,290,000,000 (2005: 2,290,000,000) shares in issue during the period.

There were no potential shares in existence for each of the six months ended 30 September 2005 and 2006 and accordingly, no diluted earnings per share has been presented.

16. CONTINGENT LIABILITIES

(a) As at 30 September 2006, the Company had provided corporate guarantees to certain banks for banking facilities provided to certain of its subsidiaries to the extent of approximately HK$38,000,000 (31 March 2006: HK$38,000,000). These banking facilities had been utilised to the extent of approximately HK$6,650,000 (31 March 2006: approximately HK$10,600,000) as at the balance sheet.

(b) As at 30 September 2006, the Company provided corporate guarantee in favour of a subsidiary (the "Subsidiary") to a landlord that the Subsidiary will duly observe the terms and pay the monies, being the total rental expenses, management fee and utility charges of HK$5,078,000 for the entire lease period starting from May 2005, contained in the tenancy agreement signed between the landlord and the Subsidiary during the year ended 31 March 2005.

(c) As at 30 September 2006, the Group did not have any bills discounted with recourse. Bill discounted with recourse as at 31 March 2006 was approximately HK$11,175,000.

17. COMMITMENT

(a) Operating lease commitment

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms of one to three years.

At 30 September 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	(Unaudited) At 30 September 2006 HK$'000	(Audited) At 31 March 2006 HK$'000
Within one year	**1,420**	1,390
In the second to fifth years, inclusive	**742**	1,402
	2,162	2,792

(b) Other commitment

During the year ended 31 March 2005, Fosse Bio-Engineering Development Limited ("Fosse Bio") was acquired by the Group through the acquisition of Smart Ascent Limited ("Smart Ascent"), an indirect subsidiary of the Company, from two individuals (the "Vendors") who are independent third parties to the Group. Pursuant to the deed of transfer (the "Deed") entered into between Smart Ascent and an equity holder of Fosse Bio (the "Fosse Vendor"), Smart Ascent acquired a 51% equity interest of Fosse Bio from Fosse Vendor at a consideration (the "Consideration") which is payable in four installments. The first and second installments were already settled. The third installment of HK$12,000,000 shall be paid within 14 days from the issuance of certificate of phase III clinical trial of the oral insulin product issued by the State Food and Drug Administration of the People's Republic of China ("SFDA"). The fourth installment of HK$19,780,000 shall be paid within 14 days from the issuance of the new product licence for the oral insulin product by SFDA. The third and fourth installments are recorded as an amount due to a minority shareholder as at the balance sheet date and are still outstanding as at the date of this report. Upon the Group acquiring Smart Ascent, the Vendors jointly and severally agreed to undertake in full the outstanding Consideration if and when the respective sum became due and payable. As a result, a corresponding amount of HK$31,780,000 was recorded as an other receivable by the Group as at the balance sheet date.

As at 30 September and 31 March 2006, the Group had a commitment to advance to Fosse Bio, the Fosse Vendor and/or other equity holders of Fosse Bio for expenses relating to clinical trial of the oral insulin product. The loans so advanced can be offset against the fourth installment of the Consideration payable in accordance with the Deed.

18. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these interim financial statements, there was no material transaction with related party during the periods ended 30 September 2006 and 2005.

19. POST BALANCE SHEET EVENT

Save as disclosed elsewhere in these interim financial statements, the Group also had the following significant post balance sheet event:

On 19 October 2006, a sale and purchase agreement was made between (i) Sea Ascent Investment Limited ("Sea Ascent"), an independent third party of the Group, as the vendor and (ii) Welly Surplus Development Ltd. ("Welly Surplus"), a non-wholly owned subsidiary of the Company, as the purchaser, in connection with the acquisition ("Acquisition") of 1 share of US$1.00 each in the capital of Joy Kingdom Industrial Limited ("Joy Kingdom"), representing 100% of the existing issued share capital of Joy Kingdom; and the unsecured, non-interest bearing loan ("Shareholder's Loan") for the aggregate principal sum of RMB40 million to be advanced by Sea Ascent to Joy Kingdom pursuant to the terms of the Cooperation Agreement (as defined hereinafter). On the same date, a cooperation agreement (the "Cooperation Agreement") was made between (i) Sea Ascent, (ii) Welly Surplus and (iii) Fosse Bio (as a guarantor to guarantee the performance of Welly Surplus under the Cooperation Agreement) in connection with the cooperation between Sea Ascent and Welly Surplus (the "Cooperation") in respect of the (i) establishment of a wholly foreign owned enterprise in the PRC under the proposed name of 江蘇派樂施藥業有限公司 (Jiangsu Prevalence Pharmaceutical Limited) ("Jiangsu Prevalence"); (ii) provision of the Shareholder's Loan of the aggregate principal sum of RMB40 million by Sea Ascent to Joy Kingdom for the acquisition and construction of a factory in the PRC; and (iii) Welly Surplus shall procure Joy Kingdom or Jiangsu Prevalence, if so agreed, to pay to Sea Ascent, during a period of six years from the date on which Oral Insulin Enteric-Coated Soft Capsules (口服胰島素腸溶軟膠丸) (the "Medicine") is launched for sales in open market (the "Initial Operating Period"), a fee calculated by at RMB6 cents for each capsule of Medicine produced (subject to a deduction).

The Cooperation and the Acquisition constitute a very substantial acquisition ("VSA") of the Company under Chapter 14 of the Listing Rules and are subject to the disclosure requirements and the approval of the Company's shareholders. Further details of the VSA were set out in a circular of the Company dated 18 December 2006 and a special general meeting of the Company will be held on 3 January 2007.