

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as the Scheme (as defined hereinafter), the details of which are set out in the paragraph headed "EMPLOYMENT AND REMUNERATION POLICY" in this interim financial report, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate 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 subsidiaries a party to any arrangement to enable the directors, their respective spouse or minor children to acquire such rights in any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

At 30 September 2006, the following interests and short positions of 5% or more 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 ordinary shares of the Company:

Name of substantial shareholders	Capacity and nature of interest	Number of shares held	Approximate percentage of interests held
Ease Gold Investments Limited	Through controlled corporations	604,000,000	26.4
United Gene-BVI	Through controlled corporations	604,000,000	26.4
United Gene Group Ltd.	Through controlled corporations	604,000,000	26.4
HK Biowindow	Directly beneficially owned	74,000,000	3.2
	Through controlled corporations	530,000,000	23.2
		604,000,000	26.4
JNJ Investments	Directly beneficially owned	500,000,000	21.8

*Note:* JNJ Investments, HK Biowindow, Fudan Biotech and FPL hold 500,000,000, 74,000,000, 76,000,000 and 30,000,000 shares of the Company respectively.

The entire issued share capital of JNJ Investments is owned by HK Biowindow, the issued share capital of which is owned as to 99% by United Gene Group Ltd. (a company incorporated in the British Virgin Islands), as to 0.99% by United Gene-PRC and as to 0.01% by Shanghai Biowindow.

The capital of Shanghai Biowindow is 60% owned by United Gene-PRC, 13.575% owned by Dr. Xie Yi, a director of the Company and 13.575% owned by Ms. Sheng Xiao Yu, who is the wife of Dr. Mao Yu Min. Dr. Mao Yu Min is a director of the Company. The equity capital of United Gene-PRC is beneficially owned as to 33.5% by Dr. Mao Yu Min and as to 33.5% (including 8.5% direct interest and 25% indirectly through his shareholding in Ease Gold Investments Limited) by Dr. Xie Yi. The issued share capital of United Gene Group Ltd. is owned as to 33% by United Gene-BVI and as to 33% by Ease Gold Investments Limited. The issued share capital of United Gene-BVI and Ease Gold Investments Limited was wholly owned by Dr. Mao Yu Min and Dr. Xie Yi, respectively.

Fudan Biotech is owned as to 99% by Shanghai Fudan Biotech Limited. Shanghai Fudan Biotech Limited is owned as to 75% by Shanghai Biowindow.

HK Biowindow owned 80% of the share capital of FPL.

These interests have also been in the corporate interests of Dr. Mao Yu Min and Dr. Xie Yi as disclosed under the heading "Directors' interests and short positions in shares and underlying share" above.

Save as disclosed above, as at 30 September 2006, no person, other than certain directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## CORPORATE GOVERNANCE

The Company has complied with the applicable 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 2006 except for the following deviations as detailed in the Company's last annual report:

- (a) Code provision A1.3 stipulates that 14-days notice should be given for each regular board meeting. The Company agrees that sufficient time should be given to the Directors in order to make a proper decision. In these respects, the Company adopts a more flexible approach (and yet sufficient time has been given) in convening board meetings to ensure efficient and prompt management decisions could be made.
- (b) Code provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Company deviates from the above code provision as the independent non-executive Directors ("INEDs") are not appointed for specific terms. According to the bye-laws of the Company, however, the INEDs are subject to retirement and re-election. The reason for the deviation is that the Company believes that the Directors ought to be committed to representing the long term interest of the Company's shareholders.