

## Contingent Liabilities

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. The decrease was due to the appropriation of surplus fund to pay up the outstanding banking facilities during the period in order to minimize finance costs incurred.

As at 30 September 2006, the Company also provided corporate guarantee in favour of 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.

The Group did not have any bills discounted with recourse as at 30 September 2006. Bill discounted with recourse as at 31 March 2006 was approximately HK\$11,175,000. The decrease was due to the appropriation of surplus fund to pay up the outstanding banking facilities during the period in order to minimize finance costs incurred.

Except for the above, there were no significant changes in the contingent liabilities of the Group during the period.

## EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2006, the Group had 382 employees (31 March 2006: 376). Staff costs excluding directors' remuneration for the six months ended 30 September 2006 amounted to approximately HK\$6.4 million (six months ended 2005: approximately HK\$6.2 million).

The Group has not experienced any significant problems with its employees or disruptions to the operations due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff.

The Group remunerates its employees based on industry practices. Its staff benefits, welfare and statutory contributions, if any, are made in accordance with prevailing labour laws of its operating entities.

Ordinary resolutions were passed on the annual general meeting of the Company on 8 August 2002, approving the adoption of a share option scheme (the "Scheme") by the Company. The Scheme, with its broadened basis of participation, and absence of performance target to be achieved will enable the Group to reward the employees, the Directors and other selected participants for their contribution to the Group and will also assist the Group in its recruitment and retention of high calibre professionals, executives and employees who are instrumental to the growth of the Group.

No share option was granted under the Scheme.

## OUTLOOK

### New Plant for Oral Insulin

Looking ahead, we will continue our focus in the development, manufacturing and marketing of our oral insulin product. On 19 October 2006, agreements have been signed with an independent third party for the acquisition and construction of a new manufacturing plant in the PRC for the oral insulin product for a consideration of approximately RMB40 million and a fee calculated at RMB6 cents for each capsule of Oral Insulin Enteric-Coated Soft Capsules produced during the Initial Operating Period. The new factory will be equipped with production facilities of annual production capacity of at least 1.5 billion capsules, with a capacity expandable to 3 billion capsules, in compliance with the standards and requirements of certificate under the Guidelines on Good Manufacturing Practices for Pharmaceuticals ("GMP") (藥品生產質量管理規範).

The investment cost for constructing a pharmaceutical manufacturing plant for the production of a new medicine can be significant. The recoverability of such investment cost is also not assured as it is possible that the Group may not be able to obtain all necessary approvals for the production and sales of the new medicine within the anticipated time frame, or the pharmaceutical manufacturing plant to be constructed does not comply with the requirements under the GMP and other applicable standards and requirements under the PRC laws. These standards and requirements may be changed from time to time and it can be costly to comply with any subsequent modification of, additions to or new restrictions to, these compliance standards or requirements.