



INNOMAXX BIOTECHNOLOGY GROUP LIMITED

創富生物科技集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00340)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

The Board of Directors (the “Board”) of INNOMAXX Biotechnology Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2006, with the comparative figures in 2005, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2006

| | Notes | Unaudited Six months ended 30 June | |
|--|-------|---------------------------------------|------------------|
| | | 2006 HK\$'000 | 2005 HK\$'000 |
| Turnover | 3 | 129,603 | 154,288 |
| Cost of sales | | (125,976) | (139,358) |
| Gross profit | | 3,627 | 14,930 |
| Other income | | 1,669 | 397 |
| Administrative expenses | | (13,261) | (20,241) |
| Increase in fair value of investment properties | | 13,064 | – |
| Unrealised loss on financial assets at fair value through profit or loss | | – | (526) |
| Finance costs | 4 | (1,582) | (736) |
| Share of results of associates | | – | 1,373 |
| Loss on disposal of an associate | | – | (1,373) |
| Profit (loss) before taxation | | 3,517 | (6,176) |
| Taxation | 5 | (300) | (290) |
| Profit (loss) for the period | 6 | 3,217 | (6,466) |
| | | HK cents | HK cents |
| Earnings (loss) per share | | | |
| – Basic | 7 | 0.13 | (0.26) |
| – Diluted | 7 | 0.13 | N/A |

* For identification purpose only

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2006

| | | 30 June 2006 (Unaudited) HK\$'000 | 31 December 2005 (Audited) HK\$'000 |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Property, plant and equipment | | 3,577 | 3,399 |
| Investment properties | 9 | 137,864 | 124,800 |
| Goodwill | | 15,600 | 15,600 |
| | | <u>157,041</u> | <u>143,799</u> |
| Current assets | | | |
| Inventories | | 529 | 375 |
| Trade and other receivables | | 44,482 | 53,331 |
| Investments held for trading | | – | 2,268 |
| Pledged bank deposits | | 16,644 | 5,099 |
| Pledged deposits in financial institutions | | – | 8,412 |
| Bank balances and cash | | 83,180 | 83,757 |
| | | <u>144,835</u> | <u>153,242</u> |
| Current liabilities | | | |
| Trade and other payables | | 4,656 | 7,751 |
| Deferred income | | 27,693 | 21,983 |
| Taxation payable | | 488 | 488 |
| Secured bank borrowing – amount due within one year | | 4,000 | 4,000 |
| Obligation under finance leases – due within one year | | – | 117 |
| | | <u>36,837</u> | <u>34,339</u> |
| Net current assets | | <u>107,998</u> | <u>118,903</u> |
| Total assets less current liabilities | | <u>265,039</u> | <u>262,702</u> |
| Non-current liabilities | | | |
| Secured bank borrowings – amount due after one year | | 26,910 | 28,910 |
| Deferred taxation | | 6,365 | 6,365 |
| | | <u>33,275</u> | <u>35,275</u> |
| Net assets | | <u>231,764</u> | <u>227,427</u> |
| Capital and reserves | | | |
| Share capital | | 247,181 | 246,481 |
| Reserves | | (15,417) | (19,054) |
| Total equity attributable to equity holders of the parent | | <u>231,764</u> | <u>227,427</u> |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (new "HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The application of these new HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

| | |
|--------------------------------|---|
| HKAS 19 (Amendment) | Actuarial gains and losses, group plans and disclosures |
| HKAS 21 (Amendment) | The effects of change in foreign exchange rate – net investment in a foreign operation |
| HKAS 39 (Amendment) | Cash flow hedge accounting of forecast intragroup transactions |
| HKAS 39 (Amendment) | The fair value option |
| HKAS 39 & HKFRS 4 (Amendments) | Financial guarantee contracts |
| HKFRS 6 | Exploration for and evaluation of mineral resources |
| HK(IFRIC)-INT 4 | Determining whether an arrangement contains a lease |
| HK(IFRIC)-INT 5 | Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds |
| HK(IFRIC)-INT 6 | Liabilities arising from participating in a specific market-waste electrical and electronic equipment |

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The Directors of the Company is still not yet in the position to reasonably estimate the impact that may arise on the Group's results and financial position from the application of these standards, amendments or interpretations.

| | |
|--------------------|---|
| HKAS 1 (Amendment) | Capital disclosures ¹ |
| HKFRS 7 | Financial instruments: Disclosures ¹ |
| HK(IFRIC)-INT 7 | Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies ² |
| HK(IFRIC)-INT 8 | Scope of HKFRS 2 ³ |
| HK(IFRIC)-INT 9 | Reassessment of embedded derivatives ⁴ |

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

3. SEGMENT INFORMATION

Business segments

The Group is engaged in property investment, processing and storage of cord blood, trading of investments and trading of pharmaceutical ingredients and chemicals.

Segment information for the period ended 30 June 2006 is set out as follows:

For the period ended 30 June 2006

| | Property investment <i>HK\$'000</i> | Processing and storage of cord blood <i>HK\$'000</i> | Trading of Investments <i>HK\$'000</i> | Trading of pharmaceutical ingredients and chemicals <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--------------------------------|---|---|--|---|--------------------------|
| Turnover | 4,496 | 8,692 | 116,415 | – | 129,603 |
| Results | 15,764 | 1,125 | (5,791) | 174 | 11,272 |
| Finance costs | | | | | (1,582) |
| Unallocated corporate expenses | | | | | (6,173) |
| Profit before taxation | | | | | 3,517 |
| Taxation | | | | | (300) |
| Profit for the period | | | | | 3,217 |

For the period ended 30 June 2005

| | Property investment <i>HK\$'000</i> | Processing and storage of cord blood <i>HK\$'000</i> | Trading of investments <i>HK\$'000</i> | Trading of pharmaceutical ingredients and chemicals <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|----------------------------------|---|---|--|---|--------------------------|
| Turnover | 4,364 | 7,401 | 14,261 | 128,262 | 154,288 |
| Results | 2,373 | 1,113 | (158) | 278 | 3,606 |
| Finance costs | | | | | (736) |
| Share of results of associates | | | | | 1,373 |
| Loss on disposal of an associate | | | | | (1,373) |
| Unallocated corporate expenses | | | | | (9,046) |
| Loss before taxation | | | | | (6,176) |
| Taxation | | | | | (290) |
| Loss for the period | | | | | (6,466) |

Geographical segments

The following table provides a geographical analysis of the Group's turnover according to the location of customers:

| | Turnover <i>HK\$'000</i> | Operating Results <i>HK\$'000</i> |
|-------------|-----------------------------|---|
| <i>2006</i> | | |
| Hong Kong | 125,107 | (4,492) |
| The PRC | 4,496 | 15,764 |
| | 129,603 | 11,272 |
| <i>2005</i> | | |
| Hong Kong | 149,924 | 1,233 |
| The PRC | 4,364 | 2,373 |
| | 154,288 | 3,606 |

4. FINANCE COSTS

| | Six months ended 30 June | |
|---|--------------------------|------------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| Interest on: | | |
| Bank borrowings and overdrafts wholly repayable within five years | 1,579 | 722 |
| Finance leases | 3 | 14 |
| | <u>1,582</u> | <u>736</u> |

5. TAXATION

| | Six months ended 30 June | |
|---------------------------|--------------------------|------------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| PRC Enterprise Income Tax | <u>300</u> | <u>290</u> |

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit for the period.

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at the rate of taxation prevailing in the relevant jurisdictions applicable to each of the periods.

6. PROFIT (LOSS) FOR THE PERIOD

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| Profit (loss) for the period has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | 702 | 877 |
| Operating lease rentals in respects of rented premises | 1,577 | 1,372 |
| Net loss from disposal of investments held for trading | 5,921 | – |
| Decrease in changes in fair value of investments held for trading | – | 526 |
| and after crediting: | | |
| Gross rental income from investment properties | 4,496 | 4,364 |
| Less: Direct operating expenses from investment properties that generated rental income during the period | <u>(1,410)</u> | <u>(1,568)</u> |
| | 3,086 | 2,796 |
| Interest income | 1,291 | 361 |
| Net gain from disposal of investments held for trading | <u>–</u> | <u>345</u> |

7. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the Group's profit (loss) attributable to shareholders of HK\$3,217,000 (2005: loss of HK\$6,466,000) and on the weighted average number of 2,465,934,400 (2005: 2,464,812,853) shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of 2,465,934,400 shares in issue by 4,593,622 to assume conversion of all dilutive potential shares granted under the share option scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share option.

The effect of share options is excluded from the calculation of the diluted loss per share in 2005 since their exercise would result in a decrease in the loss per share from continuing ordinary operations.

8. DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2006. (2005: nil)

9. INVESTMENT PROPERTIES

A revaluation of investment properties was performed on 30 June 2006. The fair value of the investment properties have been arrived on the basis of a valuation carried out by Greater China Appraisal Limited, independent qualified firm of professional valuers not connected with the Group. The valuation, which conforms to The Hong Kong Institute of Surveyors Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

10. EVENTS AFTER THE BALANCE SHEET DATE

On 7 July 2006, the Group entered into the conditional agreement in relation to the placing of shares (“Placing Agreement”) with the placing agent. Pursuant to the Placing Agreement, the Group has conditionally agreed to place, through the placing agent, and the placing agent has conditionally agreed to place, on a best effort basis, a total of 1,000,000,000 placing shares at the placing price of HK\$0.40 per placing share. The Group has also granted the over-allotment option to the placing agent to issue up to an additional 150,000,000 new shares. Further details of the transaction have been set out in the announcement dated 10 July 2006.

On 12 July 2006, the Group entered into the formal sale and purchase agreement (“Formal Acquisition Agreement”) with AIM Elite Limited, Long Cheer Group Limited, Fit Plus Limited and See Good Limited (the “Vendors”) and Mr Ng Hoi, Mr Kwok Man, Mr Yeh Tung Ming and Mr Ng Hiu King (the “Guarantors”), pursuant to which the Vendors have conditionally agreed to sell, and the Company has conditionally agreed to acquire 57% equity interests (“Acquisition”) in Lead Sun Investments Limited (“Lead Sun”) which is principally engaged in rutile related business. The total consideration is to be satisfied (i) as to HK\$432.592 million by the issue of the consideration shares by the Group to the Vendors; (ii) as to HK\$175 million by the transfer of the entire interest in a subsidiary to one of the Vendors; and (iii) as to the remaining balance of HK\$205 million in cash by the Group to the Vendors. Further details of the transaction have been set out in the announcement date 10 August 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

During the period under review, the Group reported a consolidated turnover of HK\$129,603,000 (2005: HK\$154,288,000) for the six months ended 30 June 2006, representing a decrease of 16% over the corresponding period in 2005. The Group’s unaudited profit attributable to shareholders amounted to HK\$3,217,000 (2005: loss of HK\$6,466,000).

Business Review

The Group’s core business is the umbilical cord blood storage service and property investment. In pursuing the competitiveness and strengthening the business of the Group, it has recently streamlined the operation. During the period under review, the business of the umbilical cord blood storage service has been developing and the Group will dedicate more resources in developing and creating the public awareness regarding the benefits of cord blood storage. In line with the redefined corporate strategy, the Group had resolved to discontinue the businesses of the international trade and trading of investments in the second half of the year.

Umbilical Cord Blood Storage

With the continuation of dynamic economic growth and the increased competitiveness of the business, the turnover for the umbilical cord blood storage services amounted to HK\$8,692,000 (2005: HK\$7,401,000), an increase of 17% in comparison with the corresponding period last year. Currently, we have more than 6,000 clients and the business is in the process of expansion.

CryoLIFE is a registered trade mark of the cord blood banking operation of the business. It offers expectant parents an once-in-a-lifetime opportunity to collect and store their newborn’s umbilical cord blood for potential life-saving use in the future.

Due to the increasing awareness of biological insurance in the ever-improving technology and medical environment, the business is expected to grow time by time. Regardless of the intense competition, the business has its competitive advantages. It was established in 1996 and has more than ten year’s experience in cord blood banking. It is the first and the largest cord blood banking centre as well as the largest market share of the industry in Hong Kong and Macau. In order for a better business development, we joined “Asian Cord Blood Bank Consortium” to share the business experiences within the Asian market. The professional consultants and clinical professional consultants ensure the quality and application of cord blood to perform regulatory function. Likewise, the group has recently spent couple of millions in the project of improving Storage Laboratory which includes adopting the latest and the first ever in Hong Kong – “Planner Assure 24 seven Monitoring System”, a system that monitors the laboratory from all ends to ensure the umbilical cord blood is in quality. With the above factors, we are considered to be the leader in this market.

Investment

The Group holds an investment property, being Level 2, GITIC Plaza, 339 Huanshi Road East, Guangzhou, Guangdong Province, PRC (the "GITIC Plaza"). During the period, the rental income generated from GITIC Plaza and the occupation rate remained satisfactory, a total income of HK\$4,496,000 was recorded for the period (2005: HK\$4,364,000).

Subject to the completion of the Formal Acquisition Agreement to acquire 57% equity interests in Lead Sun, partial consideration of which will be satisfied by the transfer of the entire issued share capital of a subsidiary which ultimately owns 100% interests of the GITIC Plaza. According to an independent valuation by the independent valuer, the valuation of the property as at 30 June 2006 amounted to RMB142,000,000 (equivalent to about HK\$137,864,000), which represents an increase in fair value of investment properties.

During the period under review, the Group invested in some listed securities. In line with redefined corporate strategy, the Group had decided to discontinue the business in the second half of the year.

International Trade

Due to low profit margin of the trading of pharmaceutical ingredients and chemicals, the Group had decided to discontinue the trading business in the second half of the year.

Prospect

Looking ahead, the Group continues to be dynamic and strive for strategic acquisitions, which can enhance the performance of the Group.

In view of the sustainable economic growth in China over the couple of years, the development is heavily dependent on sufficient source of natural resource and energy. To capture the opportunities and the unprecedented growth in China, the Group entered into the Formal Acquisition Agreement on 12 July 2006 to acquire 57% equity interests in Lead Sun which is principally engaged in rutile related business. Rutile is the raw material for titanium tetrachloride and titanium sponge. Titanium has a wide range of applications including aerospace, military, and industrial and consumer products such as eye glasses, golf club and ski equipments. Given the continued increase in the demand and applications of titanium, upon the completion of the Acquisition, we are confident that we can expect a reasonable return to shareholders in the future.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 30 June 2006, the Group had total assets and net assets amounted to HK\$301,876,000 (31 December 2005: HK\$297,041,000) and HK\$231,764,000 (31 December 2005: HK\$227,427,000) respectively. The current ratio remained at 4. The bank balances, cash and pledged deposits amounted to approximately HK\$99,824,000 (31 December 2005: bank balances and cash, pledged deposits and investment held for trading amounted to HK\$99,536,000), of which most of them were denominated in Hong Kong dollars. The Group had total borrowings of HK\$30,910,000 (31 December 2005: HK\$33,027,000) which were all interest bearing loans. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 13.3% (31 December 2005: 14.5%). Pursuant to the terms of the Formal Acquisition Agreement, the Group shall procure that the principal amount with interests accrued thereon pursuant to a term loan facility, shall be repaid in full. Upon the completion of the Acquisition, the Group will be released from all its obligations in respect of any mortgages or guarantees of the bank borrowing.

Exposure of Foreign Exchange Fluctuations

As most of the Group's assets and liabilities are denominated in Hong Kong dollars, the Group does not expect significant exposure to foreign exchange fluctuation.

Charges on Assets

At the balance sheet date, the Group had pledged the investment properties, the receivable in amount of approximately HK\$29,425,000 (31 December 2005: HK\$28,299,000) from Guangdong International Building Enterprises Company Limited, bank deposits of HK\$16,644,000 (31 December 2005: HK\$13,511,000 of deposits in bank and financial institution) and certain unlisted securities for secured bank loan, which was denominated in Hong Kong dollars and carried interest rate at 2.65% above HIBOR, amounted to HK\$30,910,000 (31 December 2005: HK\$33,027,000) and credit facilities granted to the Group. Subject to the completion of the Acquisition, the Group will be released from all the above obligations.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2006.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

There were no material acquisitions or disposals of subsidiaries and associated companies during the period.

Human Resources

As at 30 June 2006, the Group had 30 and 7 employees in Hong Kong and the Mainland China respectively. Employees are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include medical scheme, group insurance, mandatory provident fund, performance bonus and share option scheme.

CORPORATE GOVERNANCE

The Company is committed to comply with established best practice in corporate governance and is in line with those practices as set out in the Company's 2005 Annual Report. The Board believes that good corporate governance is crucial to enhance the performance of the Group and to safeguard the interests of the shareholders.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of Listing Rules during the six months ended 30 June 2006, except for the deviation from the Code Provision A.4.1 in respect of the service term of Directors. Under the code provision A.4.1., Non-executive Directors should be appointed for a specific term, subject to re-election. Two of the independent non-executive directors were not appointed for a specific term. However, all the Directors (executive and non-executive) are subject to the retirement by rotation at each annual general meeting under the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the company has good corporate governance practices.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Upon specific enquiries, all Directors confirmed they have complied with the required standard set out in the Model Code during the six months ended 30 June 2006.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during six months ended 30 June 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 30 June 2006.

As at the date of this announcement, the Board of the Company comprises Mr. Cai Yuan and Mr. Luk Kin Peter Joseph as executive Directors and Dr. Tang Tin Sek, Mr. Lee Kwan Hung and Mr. Poon Chiu Kwok as independent non-executive Directors.

By Order of the Board
Cai Yuan
Chairman

Hong Kong, 26 September 2006