



MAXX BIOSCIENCE HOLDINGS LIMITED

曼盛生物科技集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 512)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

FINAL RESULTS

The board of directors (the “Board”) of Maxx Bioscience Holdings Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2007. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Turnover	3	49,045	42,408
Cost of sales		<u>(26,391)</u>	<u>(23,438)</u>
Gross profit		22,654	18,970
Other income	4	16,883	14,604
Reversal of impairment loss on interests in leasehold land		—	13,624
Loss on disposal of investment at fair value through profit or loss		(827)	—
Distribution costs		(26,347)	(17,319)
Administrative expenses		(48,285)	(34,957)
Other operating expenses	5	(11,600)	(1,700)
Share of results of associates		660	338
Finance costs	6	(9,228)	(5,746)
Loss before tax	7	(56,090)	(12,186)
Income tax	8	2,205	245
Loss for the year		<u>(53,885)</u>	<u>(11,941)</u>
Attributable to:			
— Equity holders of the Company		(52,030)	(10,650)
— Minority interests		(1,855)	(1,291)
		<u>(53,885)</u>	<u>(11,941)</u>
Loss per share	10		
Basic		<u>(HK\$0.05)</u>	<u>(HK\$0.01)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

* *For identification purpose only*

CONSOLIDATED BALANCE SHEET*As at 31 December 2007*

	<i>Notes</i>	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Property, plant and equipment		35,441	32,569
Interests in leasehold land held for own use under operating leases		4,435	4,278
Investment properties		70,696	70,848
Interests in associates		4,340	3,680
Goodwill		—	1,050
Intangible assets		—	11,600
		114,912	124,025
Current assets			
Inventories		8,078	4,077
Trade and other receivables	<i>11</i>	8,308	8,109
Interests in leasehold land held for own use under operating leases – current portion		119	115
Investments at fair value through profit or loss		—	10,519
Cash and cash equivalents		67,282	59,407
		83,787	82,227
Assets classified as held for sale		—	13,624
		83,787	95,851
Current liabilities			
Trade and other payables	<i>12</i>	52,515	54,503
Short-term bank loans – secured		92,307	54,022
Other loan – secured		14,423	22,397
		159,245	130,922
Net current liabilities		(75,458)	(35,071)
Total assets less current liabilities		39,454	88,954
Non-current liabilities			
Deferred taxation		—	2,205
Amount due to holding company		13,408	11,008
Provision for staff welfare and bonus		67,889	63,821
		81,297	77,034
Net (liabilities) assets		(41,843)	11,920
Capital and reserves			
Share capital		10,739	10,739
Reserves		(53,562)	(1,648)
Equity attributable to equity holders of the Company		(42,823)	9,091
Minority interests		980	2,829
		(41,843)	11,920

NOTES:

1. Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (“INTs”) (herein collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 January 2007. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Hong Kong Accounting Standard (“HKAS”) 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment

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

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions ³
HK(IFRIC) – INT 12	Service Concession Arrangements ⁴
HK(IFRIC) – INT 13	Customer Loyalty Programmes ⁵
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ⁴

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 July 2009.

³ Effective for annual periods beginning on or after 1 March 2007.

⁴ Effective for annual periods beginning on or after 1 January 2008.

⁵ Effective for annual periods beginning on or after 1 July 2008.

The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

2. Basis of preparation

As at 31 December 2007, the Group had net current liabilities of approximately HK\$75,458,000 and had net liabilities of approximately HK\$41,843,000. Further, the Group incurred a loss of approximately HK\$53,885,000 (2006: HK\$11,941,000) for the year ended 31 December 2007. Nevertheless, the consolidated financial statements have been prepared on a going concern basis.

In the opinion of the directors, the Group should be able to maintain itself as a going concern in the coming year by taking into consideration the proposed arrangements which include, but are not limited to, the following:

1. the directors anticipate that the Group will generate positive cash flows from its businesses; and
2. the directors have implemented measures to tighten cost controls over various distribution costs and administrative expenses and to improve the Group's cashflow position and operating results.

On the basis that the Group obtained the continuing availability of the banking facilities provided by its banks and the Group's ultimate holding company and the implementation of other measures with a view to improve its working capital position and net financial position, the directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2007. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments that might be necessary should the Group be unable to continue as a going concern.

3. Turnover and segment information

Turnover represents the net proceeds from trading of securities and net amounts received and receivable for goods sold.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

(a) **Business segments**

For management purpose, the Group is currently organised into three divisions, manufacturing and sales of pharmaceutical and health products, properties holding for earning rental income and trading of securities.

Segment information about these businesses is presented below:

Group	Manufacturing and sales of pharmaceutical and health products		Properties holding for earning rental income		Trading of securities		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Assets								
Segment assets	52,564	57,908	70,696	70,848	—	10,519	123,260	139,275
Interests in associates	4,340	3,680	—	—	—	—	4,340	3,680
Unallocated corporate assets	—	—	—	—	—	—	71,099	76,921
Consolidated total assets	<u>56,904</u>	<u>61,588</u>	<u>70,696</u>	<u>70,848</u>	<u>—</u>	<u>10,519</u>	<u>198,699</u>	<u>219,876</u>
Liabilities								
Segment liabilities	207,039	165,953	—	—	—	—	207,039	165,953
Unallocated corporate liabilities	—	—	—	—	—	—	33,503	42,003
Total liabilities	<u>207,039</u>	<u>165,953</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>240,542</u>	<u>207,956</u>
Segment Revenue								
Turnover	49,045	42,408	—	—	—	—	49,045	42,408
Other income	—	—	4,744	4,924	—	2,296	4,744	7,220
	<u>49,045</u>	<u>42,408</u>	<u>4,744</u>	<u>4,924</u>	<u>—</u>	<u>2,296</u>	<u>53,789</u>	<u>49,628</u>
Segment Result	<u>(30,271)</u>	<u>(23,008)</u>	<u>22</u>	<u>1,228</u>	<u>(827)</u>	<u>2,296</u>	<u>(31,076)</u>	<u>(19,484)</u>
Reversal of impairment loss on interests in leasehold land							—	13,624
Other unallocated income							12,139	7,384
Unallocated corporate expenses							(28,585)	(8,302)
Finance costs							(9,228)	(5,746)
Share of results of associates	660	338					660	338
Loss before tax							(56,090)	(12,186)
Income tax							2,205	245
Loss for the year							<u>(53,885)</u>	<u>(11,941)</u>

Segment information about these businesses is presented below:

Group	Manufacturing and sales of pharmaceutical and health products		Properties holding for earning rental income		Trading of securities		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
OTHER INFORMATION								
Capital expenditure	7,078	1,686	—	—	—	—	7,078	1,686
Depreciation and amortisation	5,351	6,842	4,722	3,583	—	—	10,073	10,425
Impairment loss recognised for the year	12,357	2,238	—	—	—	—	12,357	2,238
Gain on disposal of subsidiaries/ partial disposal of a subsidiary	—	2,726	—	—	—	—	—	2,726
Gain (loss) on disposal of property, plant and equipment	818	(766)	—	—	—	—	818	(766)
Gain on disposal of assets classified as held for sale	7,622	—	—	—	—	—	7,622	—
Reversal of impairment loss on trade and other receivables	2,881	2,390	—	—	—	—	2,881	2,390
Change in fair value of investments at fair value through profit or loss	—	—	—	—	—	2,296	—	2,296
Loss on disposal of investments at fair value through profit or loss	—	—	—	—	(827)	—	(827)	—

(b) *Geographical segments*

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of operations, and assets are attributed to the segments based on the location of the assets.

	The PRC except		Hong Kong		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Turnover	49,045	42,408	—	—	49,045	42,408
Other income	16,883	28,228	—	—	16,883	28,228
	<u>65,928</u>	<u>70,636</u>	<u>—</u>	<u>—</u>	<u>65,928</u>	<u>70,636</u>
Segment assets	190,996	207,672	7,703	12,204	198,699	219,876
Capital expenditure	7,078	1,686	—	—	7,078	1,686

4. **Other income**

	2007	2006
	HK\$'000	HK\$'000
Rental income	7,790	8,001
<i>Less: direct operating expenses that generated rental income during the year</i>	<u>(3,046)</u>	<u>(3,077)</u>
	4,744	4,924
Gain on disposal of subsidiaries	—	1,845
Gain on partial disposal of a subsidiary	—	881
Gain on disposal of assets classified as held for sale	7,622	—
Reversal of impairment loss on trade and other receivables	2,567	2,390
Gain on disposal of property, plant and equipment	818	—
Change in fair value of investments at fair value through profit or loss	—	2,296
Exchange gain	—	63
Interest income	561	906
Others	571	1,299
	<u>16,883</u>	<u>14,604</u>

5. **Other operating expenses**

	2007	2006
	HK\$'000	HK\$'000
Amortisation of intangible assets	1,400	1,400
Impairment loss on intangible assets	10,200	300
	<u>11,600</u>	<u>1,700</u>

6. Finance costs

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interests wholly repayable within five years:		
— on bank loans	4,970	3,911
— on other loans	4,258	1,835
	<u>9,228</u>	<u>5,746</u>

7. Loss before tax

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss before tax is stated after charging (crediting):		
Staff costs (excluding directors' emoluments) comprises:		
— Wages and salaries	13,473	9,474
— Contributions to retirement scheme	565	93
	<u>14,038</u>	<u>9,567</u>
Auditors' remuneration	530	420
Share of tax of an associate	127	130
Amortisation of intangible assets (included in other operating expenses)	1,400	1,400
Cost of inventories recognised as an expense	26,391	23,438
Depreciation of property, plant and equipment	3,832	5,327
Depreciation of investment properties	4,722	3,583
Research and development expenses	3,118	519
Operating lease rentals in respect of land and buildings	566	1,037
Amortisation of interests in leasehold land held for own use under operating leases	119	115
Impairment loss on intangible assets (included in other operating expenses)	10,200	300
Impairment loss on goodwill arising from acquisitions of subsidiaries (included in administrative expenses)	1,050	1,938
Impairment loss on properties, plant and equipment (included in administrative expenses)	1,107	—
(Gain) loss on disposal of property, plant and equipment	<u>(818)</u>	<u>766</u>

8. Income Tax

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Deferred taxation – credited for the year	<u>(2,205)</u>	<u>(245)</u>

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Company and its subsidiaries which operate in Hong Kong have no assessable profits for both years.

The subsidiaries operate in the PRC during the year are subject to PRC enterprise income tax at rates of 15%. No provision for PRC enterprise income tax has been made as these subsidiaries incurred losses during both years.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law ("the New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises to 25%. The tax rate of certain subsidiaries will change from 33% to 25% from 1 January 2008.

9. Dividend

No dividend was paid or proposed during the year, nor has any dividend been proposed since the balance sheet date (2006: Nil).

10. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of approximately HK\$52,030,000 (2006: approximately HK\$10,650,000) and on the weighted average of 1,073,934,000 ordinary shares in issue during both years ended 31 December 2007 and 2006.

(b) Diluted loss per share

Diluted loss per share for both years ended 31 December 2007 and 2006 have not been presented as there were no dilutive shares outstanding during both years ended 31 December 2007 and 2006.

11. Trade and other receivables

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade receivables		
— from third parties	270	51
— from an associate	6,165	5,791
	<hr/>	<hr/>
Total trade receivables	6,435	5,842
Deposits and prepayments	1,873	2,076
Other receivables	19,666	22,106
Less: impairment loss	(19,666)	(21,915)
	<hr/>	<hr/>
	—	191
	<hr/>	<hr/>
	8,308	8,109
	<hr/> <hr/>	<hr/> <hr/>

The balance with an associate is unsecured, interest-free and on normal commercial terms.

The aging analysis of trade receivables is set out below:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 90 days	6,439	6,603
91 –180 days	141	605
181 – 365 days	97	293
Over 365 days	3,137	2,521
	9,814	10,022
<i>Less: accumulated impairment</i>	(3,379)	(4,180)
	6,435	5,842

The normal credit period granted by the Group is on an average of 90 days.

Trade receivables amounted to approximately HK\$6,435,000 as at 31 December 2007 (2006: HK\$5,842,000) that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

12. Trade and other payables

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade payables	2,846	3,108
Accrued charges and other creditors	49,669	51,395
	52,515	54,503

All trade payables were aged less than one year.

AUDIT OPINION

The auditors' report contained a disclaimer opinion. The following paragraphs have been extracted from the auditors' report.

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered as at 31 December 2007, the net current liabilities position of approximately HK\$75,458,000 and the net liabilities position of approximately HK\$41,843,000 of the Group and the accuracy of the disclosures made in note 3 to the consolidated financial statements concerning the adoptions of going concern basis on which the consolidated financial statements have been prepared. The Group's consolidated financial statements have been prepared on a going concern basis. The validity of which is dependant upon the successful outcome of the measures undertaken as described in note 3 to the consolidated financial statements to ensure that adequate cash resources are available to the Group to enable it to meet its future working capital and financial requirements. The consolidated financial do not include any adjustments that would result from the failure of such measures.

If the going concern basis is not appropriate, adjustments would have been made to reclassify non-current assets and liabilities as current assets and liabilities respectively, to reduce the values of assets to their immediate recoverable amounts and to provide for any further liabilities which might arise. Such adjustments may have a significant consequential effect on the loss for the year and net liabilities of the Group at 31 December 2007. We consider that appropriate disclosures have been made but because of the significant uncertainty relating to whether the going concern basis adopted in the consolidated financial statements is appropriate, we have disclaimed our opinion.

Disclaimer of opinion: disclaimer on view given by consolidated financial statements

Because of the significance of the fundamental uncertainty relating to the going concern basis paragraph, we do not express an opinion on the consolidated financial statements as to whether the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the year ended 31 December 2007, the Group's pharmaceutical and health products business recorded a turnover of approximately HK\$49,045,000 (2006: HK\$42,408,000) which represents an increase of 16% as compared with last year. Such increase was mainly due to the increase in sales of the mineral water product line and the appreciation of Renminbi during the year.

Gross profit of the Group's pharmaceutical and health products business for the year under review was HK\$22,654,000 (2006: HK\$18,970,000). The gross margin achieved during the year was about 46% (2006: 45%).

The Group reported a consolidated loss attributable to equity holders of the Company of HK\$52,030,000 as compared with a loss of HK\$10,650,000 for last year. Such increase was mainly attributable to the increase in impairment loss on intangible assets by HK\$10,200,000, the expenditures of approximately HK\$9,000,000 on marketing and promotion, research and development of the mineral water product line and the reversal of impairment loss on leasehold land of HK\$13,624,000 recorded in 2006.

Prospects

The Group will continue to streamline its operation by cutting cost and down-sizing unprofitable business and at the same time looking for profitable business opportunities to maximise the interest of shareholders.

Following the change in the controlling shareholder of the Company in December 2005 and the completion of the mandatory unconditional cash offer by Outwit Investments Limited ("Outwit") in March 2006, Outwit is currently conducting a review on the Group's business activities and assets and is formulating business plans and strategies for the future business development of the Group.

Financial resources and liquidity

As at 31 December 2007, the Group had current assets of HK\$83,787,000 (31 December 2006: HK\$95,851,000) and current liabilities of HK\$159,245,000 (31 December 2006: HK\$130,922,000). The current ratio was 0.53 at 31 December 2007 as compared with 0.73 at 31 December 2006.

The Group's cash and bank balances as at 31 December 2007 amounted to HK\$67,282,000 (31 December 2006: HK\$59,407,000), of which 3% were denominated in Hong Kong and United States Dollars and 97% in Renminbi.

As at 31 December 2007, the Group had outstanding short term bank loans of HK\$92,307,000 (31 December 2006: HK\$54,022,000), all of which were in Renminbi and granted by banks in the PRC. The interest rates charged by banks ranged from 6.44% to 7.34% (for the year ended 31 December 2006: 6.14% to 7.02%) per annum. These bank loans were pledged by properties of the Group with a net book value of HK\$88,332,000 (31 December 2006: HK\$85,425,000). The gearing ratio of the Group, measured by bank borrowings and other short term loans as a percentage of issued share capital, was 994% at 31 December 2007 as compared with 712% at 31 December 2006.

Since the Group's principal activities are in the PRC and the financial resources available, including cash on hand and bank borrowings, are mainly in Renminbi and Hong Kong Dollars, the exposure to foreign exchange fluctuation is relatively low.

Employees and remuneration policy

As at 31 December 2007, the Group employed about 300 staff and workers in Hong Kong and the PRC. The Group remunerates its employees based on their performance and experience and their remuneration package will be reviewed periodically by the management. Other employee benefits include medical insurance, retirement scheme, appropriate training program and share option scheme.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2007, the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the following deviations:

Code provision A.2.1

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, the positions of chairman and chief executive officer are vacant and the Board is identifying suitable candidates to take up the posts.

Code provision A.4.1 and A.4.2

Under the code provision A.4.1, non-executive directors should be appointed for a specific term. Currently, non-executive directors are not appointed for a specific term. This constitutes a deviation from code provision A.4.1. However, they are subject to 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's corporate governance practices are no less exacting than those in the CG Code.

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 as its own code of conduct for securities transactions by directors. Having made specific enquiry of the directors, all directors have complied with the required standards set out in the Model Code throughout the year ended 31 December 2007.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2007.

By order of the Board
Ha Sze Tung Sharp Stone
Director

Hong Kong, 15 April 2008

As at the date of this announcement, the Board comprises of two executive directors, namely, Ms He Jin Hong (Deputy Chairman) and Mr Ha Sze Tung Sharp Stone and two independent non-executive directors, namely, Ms So Tosi Wan, Winnie and Mr Wei Dong.