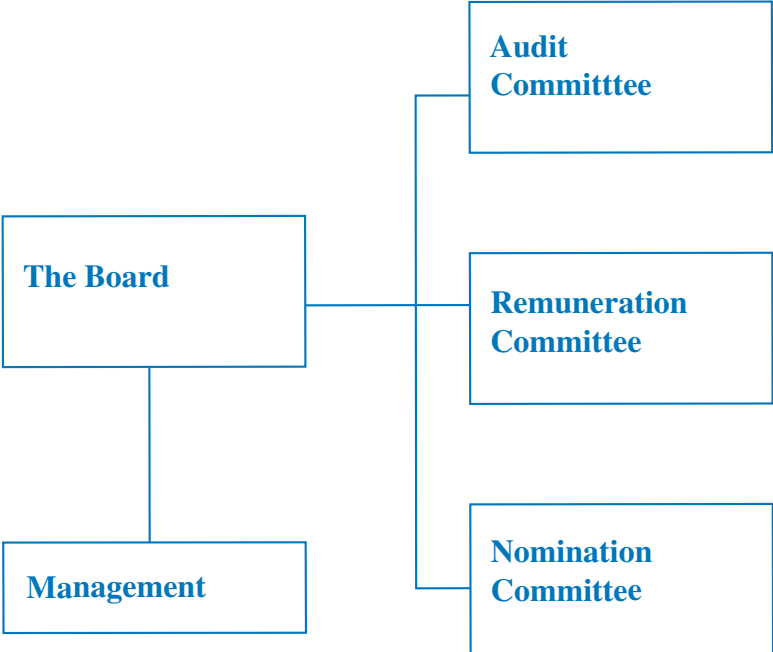


# Corporate Governance Report

The Company is committed to maintaining and improving the quality of corporate governance so as to ensure better transparency and protection of shareholders' interest in general. The board ("Board") of directors ("Directors") of the Company believes that good corporate governance practices are increasingly important for maintaining and promoting investor confidence and for stable growth of the Group.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the financial year 2005/2006, except for certain deviation that is discussed later in this report. To ensure stricter compliance with the CG Code to the extent that it is reasonable, practicable and in the interests of the Company to do so, relevant amendments to the Company's Articles of Association ("Articles"), such as the provision for rotation of all directors, were proposed and approved by shareholders at the extraordinary general meeting held on 12 December 2005.

Below are the corporate governance practices adopted by the Company with specific reference to the CG Code:





## THE BOARD OF DIRECTORS

The Board currently consists of six members, including the Chairman, the Chief Executive Officer, an additional executive Director and three independent non-executive Directors. One of our independent non-executive Directors has the professional and accounting qualifications required by the Listing Rules.

All the current Directors were appointed on 22 September 2005. Mr. TONG Hing Chi, a non-executive Director, retired on 30 August 2005. On 13 October 2005, Mr. NG Man Chan and Ms. LI Mi Lai resigned as executive Directors and Mr. LEE Man Kwong, Mr. LEUNG Siu Cheung and Mr. LAM Kin Kan, Mark resigned as independent non-executive Directors.

According to code provision A.4.1 of the CG Code, the non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of the three independent non-executive Directors is appointed for a specific term. However, all independent non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles, and the terms of their appointment will be reviewed when they are due for re-election. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG code.

The principal function of the Board is to formulate strategy and to monitor and control operating and financial performance in pursuit of the strategic objectives of the Group. The Board, led by the Chairman, is vested with full responsibility for setting objective and business development plans, overseeing the processes that management has in place to identify business opportunities and risks, considering and determining major acquisition and disposal and assuming responsibility for corporate governance.

The management is responsible for implementing the strategies and plans adopted by the Board. Executive Directors and management executives meet monthly to review the performance of the businesses of the business units and of the Group as a whole, co-ordinate overall resources and make financial and operational decisions.

There is a segregation of duties between the Chairman's responsibility for leadership and management of the Board and the Group's strategies, and the responsibility of the Chief Executive Officer to develop business objectives and budgets and to implement the Group's strategies. Such division of responsibilities helps to reinforce their accountability and independence. There is no financial, business, family or other material / relevant relationship amongst Directors.

With a wide range of expertise and a balance of skills, the independent non-executive Directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.



## Corporate Governance Report

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The independent non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each independent non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive Director an annual confirmation of their independence and is satisfied about their independence up to the date of the report in accordance with the Listing Rules. The independent non-executive Directors are explicitly identified in all corporate communications.

All Directors are regularly updated on governance and regulatory matters. There is an established procedure for Directors to obtain independent professional advice at the expense of the Company in the furtherance of their duties.

When the Board considers any material proposal or transaction in which a substantial shareholder or a Director has a conflict of interest, a board meeting is held and only those executive and independent non-executive Directors who have no interest in the transaction can be counted as quorum and entitled to vote at such board meeting. At the meeting, the Director who has interests shall declare his interest and abstain from voting.

The Board meets regularly throughout the year to review the overall strategy and to monitor the operation as well as the financial performance of the Group. The Board is supplied with relevant information by the management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each regular board meeting. The Chairman is primarily responsible for drawing up and approving the agenda for each board meeting in consultation with all Directors. Notice of at least 14 days have been given to all Directors for all regular board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out in full to all Directors within reasonable time before the meeting. Draft minutes of all board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

Minutes of board meetings and meetings of board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

All board meetings held during the year under review involved the active participation, either in person or through other electronic means of communication, of a majority of Directors.

We summarised below the attendance of individual Directors to the board meetings during the year under review.

Composition of the Board prior to 22 September 2005	Meeting Attended/Held
<b>Executive Directors:</b>	
NG Man Chan ( <i>Chairman</i> )	2/2
LI Mi Lai	2/2
<b>Non-executive Director:</b>	
TONG Hing Chi	2/2
<b>Independent Non-executive Directors:</b>	
LEE Man Kwong	2/2
LEUNG Siu Cheung	2/2
LAM Kin Kan, Mark	2/2
Composition of the Board from 22 September 2005 onwards	Meeting Attended/Held
<b>Executive Directors</b>	
TONG Kit Shing ( <i>Chairman</i> )	2/2
LIU Guoyao ( <i>Chief Executive Officer</i> )	2/2
CHENG Wai Man	2/2
<b>Independent Non-executive Directors</b>	
ZHOU Yaoming	2/2
LIN Jian	2/2
SO Yin Wai	2/2

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by all Directors of the Company. A copy of the Model Code is sent to each Director of the Company first on his appointment and a reminder is sent to each Director one month before the date of the board meetings to approve the Company's half-year results and annual results that the Director cannot deal in the securities of the Company until after such results have been published.

Having made specific enquiry of all Directors of the Company, all Directors confirmed they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2006.

### AUDIT COMMITTEE

The audit committee of the Company (“Audit Committee”) was established in 2001. The current members of the Audit Committee are Mr. SO Yin Wai (Chairman), Mr. ZHOU Yaoming and Mr. LIN Jian, all being independent non-executive Directors and are appointed to the Audit Committee on 13 October 2005 following the resignation of all the previous members of the Audit Committee namely, Mr. LEE Man Kwong, Mr. LEUNG Siu Cheung and Mr. LAM Kin Kan, Mark on 13 October 2005. Mr. SO Yin Wai has the appropriate professional qualifications and accounting and related financial management expertise as required under Rule 3.21 of the Listing Rules for the purpose of such appointment. The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 2001 and subsequently amended in 2005 to confirm to the provisions of the CG Code.

The meetings of the Audit Committee are held not less than twice a year to review and discuss the interim and annual financial statements respectively. Additional meeting may also be held by the committee from time to time to discuss special projects or other issues which the Audit Committee considers necessary. The external auditors of the Group may request a meeting of the Audit Committee to be convened if they consider that it is necessary.

The main duties of the Audit Committee are as follows:

- To consider the appointment of the external auditors, the audit fee, and any question of resignation or dismissal
- To discuss with the external auditors the nature and scope of the audit
- To review and monitor the external auditors’ independence and objectivity and the effectiveness of the audit process in accordance with applicable standard
- To develop and implement policy on the engagement of an external auditors to supply non-audit services
- To review the Group’s interim and annual financial statements before submission to the Board
- To discuss problems and reservations arising from the interim and final audits and any matters that the external auditors may wish to discuss
- To review the external auditors’ management letter and the management’s response
- To review the Group’s statement on internal control system prior to endorsement by the Board
- To consider the major findings of any internal investigation and the management’s response
- To consider other topics, as defined by the Board

The Audit Committee held two meetings during the year under review. The attendance record of the Audit Committee meetings for the year under review is as follows:

Members of the Audit Committee	Meeting Attended
SO Yin Wai	1/2
ZHOU Yaoming	1/2
LIN Jian	1/2
LEE Man Kwong	1/2
LEUNG Siu Cheung	1/2
LAM Kin Kan, Mark	1/2

Throughout the year under review, the Audit Committee discharged its responsibilities by reviewing and discussing the financial results and internal control system of the Group.

### REMUNERATION COMMITTEE

The Company established a remuneration committee ("Remuneration Committee") on 4 November 2005 with written terms of reference in compliance with the CG Code. Members of the Remuneration Committee as at 31 March 2006 comprised Mr. TONG Kit Shing, Mr. CHENG Wai Man, Mr. SO Yin Wai, Mr. ZHOU Yaoming (Chairman) and Mr. LIN Jian. A majority of the votes in the Remuneration Committee are exercisable by independent non-executive Directors. No Directors will be involved in any discussion in connection with his own remuneration.

The main duties of the Remuneration Committee are as follows:

- To determine the remuneration policy of the Group
- To determine the remuneration of executive Directors upon consultation with the Chairman regarding their proposals for such remuneration
- To review and approve all equity based plans
- To review the appropriateness and relevance of the remuneration policy
- To approve the performance related pay schemes operated by the Group
- To review all share incentive plans for approval by the Board
- To review annually and take note of the remuneration trends of the Group and obtain reliable and up-to-date information about remuneration packages of other closely comparable companies

It is the Company's policy that the remuneration package of each Director shall be determined by reference to their experience, qualification and the time expected to be devoted by them on the affairs of the Company.



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During the year, two Remuneration Committee meetings were held, the individual attendance of each member is set out below:

Name of director	Meetings attended
TONG Kit Shing	2/2
CHENG Wai Man	2/2
SO Yin Wai	2/2
ZHOU Yaoming	2/2
LIN Jian	2/2

### NOMINATION COMMITTEE

The Company established a nomination committee ("Nomination Committee") on 4 November 2005. Members of the nomination committee as at 31 March 2006 comprised Mr. TONG Kit Shing, Mr. CHENG Wai Man, Mr. SO Yin Wai, Mr. ZHOU Yaoming, and Mr. LIN Jian (Chairman).

The Nomination Committee shall meet before the annual general meeting of the Company, or at other times as required by the chairman of the Nomination Committee.

The main duties of the Nomination Committee are as follows:

- To review the structure, size and composition of the Board regularly and to make recommendations to the Board with regard to any changes required
- To evaluate the balance of skills, knowledge and experience of the Board
- To identify and nominate any candidate for the Board's approval
- To make recommendations for the appointment and removal of the Chairman or any Director
- To make recommendations to the Board on the re-appointment of any non-executive Director at the conclusion of his specified term of office
- To report to the Board on its proceedings after each meeting

During the year, two Nomination Committee meetings were held, the individual attendance of each member is set out below:

Name of director	Meetings attended
TONG Kit Shing	2/2
CHENG Wai Man	2/2
SO Yin Wai	2/2
ZHOU Yaoming	2/2
LIN Jian	2/2

The Nomination Committee meetings held during the year under review involved the active participation, either in person or through other electronic means of communication, of all members of the Nomination Committee.

The Group will consider the background, experience and qualification of any proposed candidates to ensure that the proposed candidates possess the requisite experience, characters and integrity to act as a Director of the Company.

### AUDITORS' REMUNERATION

The Group was charged HK\$(780,000) for auditing services and HK\$(475,680) for non-auditing services by the auditors of the Group in respect of the year ended 31 March 2006.

### INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to executive management the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 March 2006, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.





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### INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency in communicating with shareholders and the investment community at large. The Company is committed to continue to maintain an open and effective investor communication policy and to update investors on relevant information on its business in a timely manner, subject to relevant regulatory requirements. In order to ensure effective, clear and accurate communications with the investors and analysts, all corporate communications are arranged and handled by the executive Directors and designated management executives according to established practices and procedures of the Company.

The Company has announced its annual results and interim results in a timely manner during the year under review, which is well before the time limits set out the Listing Rules. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors. All substantive resolutions at the general meeting are decided on a poll.

The Company has also maintained a website at <http://www.uni-bioscience.com> which enables shareholders, investors and the general public to have access to the information of the Company on a timely basis. Financial information and all shareholder corporate communications of the Company are made available on the Company's website and updated regularly.

### BUSINESS ETHICS

The Company is committed to high standard of business ethics and integrity.

A long established code of conduct is enforced on all employees of the Group. No personal gifts or other forms of advantages from any person or organization doing business with the Group can be accepted by any employee. Business partners and suppliers are reminded from time to time that our policy forbids any employee or agent of the Group from accepting any gift from them.

The Group has developed a code of business conduct for its vendors and suppliers. All the vendors and suppliers of the Group are required to maintain a safe and healthy workplace, fair and ethical employment practice and ensure that proper environmental protection measures are in place. The Group also closely monitors that all the relevant codes of conduct stipulated by our major licensors and customers are strictly followed by our vendors and suppliers.

### SOCIAL RESPONSIBILITY

The Group makes regular contributions in terms of financial and other supports to various charitable organizations. Employees are encouraged to have direct and active involvement in fundraising activities for the needs of the society.