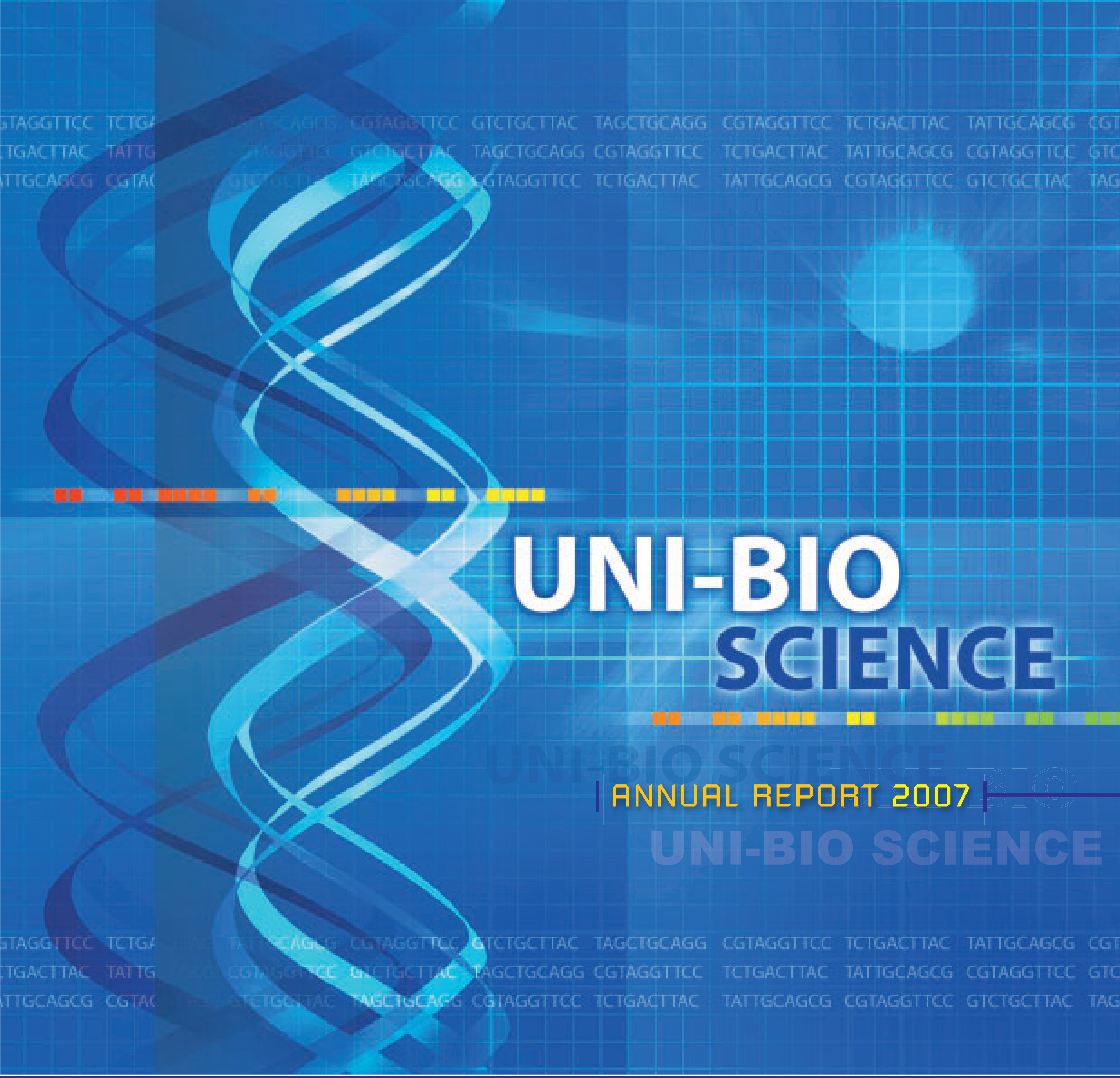

聯康生物科技集團有限公司*

Uni-Bio Science Group Limited

(Incorporated in the Cayman Islands with limited liability) Stock Code: 690

*For identification purposes only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tong Kit Shing *(Chairman)*

Mr. Liu Guoyao

Mr. Cheng Wai Man

Independent Non-Executive Directors

Mr. Zhou Yaoming

Mr. Lin Jian

Mr. So Yin Wai

AUDIT COMMITTEE

Mr. Zhou Yaoming

Mr. Lin Jian

Mr. So Yin Wai

REMUNERATION COMMITTEE

Mr. Tong Kit Shing

Mr. Cheng Wai Man

Mr. So Yin Wai

Mr. Zhou Yaoming

Mr. Lin Jian

NOMINATION COMMITTEE

Mr. Tong Kit Shing

Mr. Cheng Wai Man

Mr. So Yin Wai

Mr. Zhou Yaoming

Mr. Lin Jian

CHIEF EXECUTIVE OFFICER

Dr. Samuel Zia

COMPANY SECRETARY

Mr. Goldman Lee

QUALIFIED ACCOUNTANT

Mr. Goldman Lee

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

CORPORATE INFORMATION

AUDITORS
CCIF CPA Limited
Certified Public Accountants

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS
Room 2302, 23/F
Lippo Centre Tower II
89 Queensway, Admiralty
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Bank of Bermuda (Cayman) Limited
3/F, 36C Bermuda House
P.O. Box 513 G.T.
Dr. Roy's Drive, George Town
Grand Cayman, Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Abacus Share Registrars Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW
Chiu & Partners
41/F., Jardine House
1 Connaught Place, Central
Hong Kong

PRINCIPAL BANKERS
Bank of Communications Co., Ltd, Hong Kong Branch
Fubon Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE
0690

WEBSITE
www.uni-bioscience.com

CHAIRMAN'S STATEMENT

"FOR THE PERIOD UNDER REVIEW, THE GROUP RECORDED A CONSOLIDATED TURNOVER OF AN INCREASE OF APPROXIMATELY 259% COMPARED WITH THE LAST CORRESPONDING PERIOD."

TONG Kit Shing
Chairman

FINAL RESULTS

For the period under review, the Group recorded a consolidated turnover of approximately HK$340.9 million, representing an increase of 259% compared with approximately HK$94.9 million recorded in the last corresponding period. The gross profit was approximately HK$185.2 million representing 11.26 times of the gross profit of approximately HK$16.4 million as of last year. The Group achieved a net income of approximately HK$60.3 million for the year compared to a loss of approximately HK$42.2 million in the previous year. As the Group has gradually shifted its focus to the biopharmaceutical field in light of the relatively more promising prospect of the industry, less reliance has been placed on the Group's initial core business of manufacturing and trading of packaging products, paper gifts items and promotional products. During the year under review, turnover attributable to the distribution of biopharmaceutical products accounted for approximately 76.1% of total turnover, while turnover attributable to manufacturing and trading of packaging products, paper gifts items and promotional products accounted for approximately 23.9% of total turnover.

BUSINESS REVIEW

Sale of biopharmaceutical products

With the completion of the acquisition of Figures Up Trading Limited and its subsidiaries ("FUTL Group"), Nan Hoo Properties Limited and its subsidiaries ("Nan Hoo Group"), the Group has integrated and consolidated the FUTL Group's distribution channel of biopharmaceutical products with Nan Hoo Group's production facilities. The former achieves nationwide Good Service Practice ("GSP") recognition and the latter earns Good Manufacturing Practice ("GMP") in the PRC.

Subsequent to the respective completion of the acquisition of FUTL Group and Nan Hoo Group, the turnover and gross profit of this segment amounted to HK$259,519,000 and HK$172,204,000 respectively for the year ended 31 March 2007.

Research platform

The Group has developed several pharmaceutical R&D technology platforms, which include E.coli expression system, Pichia Yeast expression system, mammalian cell expression system, Gene therapy drugs development system and chemical medicines development system.

Packaging products

Sales of packaging products for the period under review amounted to HK$40,928,000, representing a drop of approximately 7% when compared to last year. The decrease was mainly due to increase in market competition and the prudent approach taken by the Group in accepting new orders.

Paper gift items

Paper gift items recorded a turnover of HK$9,222,000, representing a decrease of HK$6,455,000 or around 41.2% when compared to corresponding period of last year. The decrease was mainly due to increase in market competition and the prudent approach taken by the Group in accepting new orders.

Promotional products

For the period under review the turnover of this segment amounted to HK$31,225,000, representing a decrease of HK$4,239,000 or 11.9% when compared to HK$35,464,000 recorded in last year. The decrease was mainly due to the increase in market competition and the prudent approach taken by the Group in accepting new orders.

PROSPECTS

The outlook for fiscal year 2007/2008 is favourable. The Company is optimistic that the business opportunities in the pharmaceutical and healthcare industry in the PRC will remain buoyant given the increasing income and health awareness of the mainland population. The Company will maintain its strategic focus on growth enhancement and anticipates the Group's overall business in fiscal year 2007/2008 to further prosper. It is one of the Company's primary objectives to make every effort to enhance the investment value of its shareholders in the Company.

APPRECIATIONS

Finally, I give my sincerest thanks to my fellow directors and our colleagues for their unwavering dedications and significant contributions rendered. I am confident that their endeavors will continue to strive for the satisfactory results of the Group in the year ahead. On behalf of the Board, I would also like to take this opportunity to extend our heartfelt gratitude to our shareholders, customers, bankers and business associates for their continuous support to the Group.

TONG Kit Shing
Chairman

29 June 2007

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the Group recorded a consolidated turnover of approximately HK$340,894,000, representing an increase of 259% compared with approximately HK$94,949,000 recorded in the last corresponding period. The gross profit was approximately HK$185,192,000 representing 11.26 times of the gross profit of approximately HK$16,436,000 as of last year. The Group achieved a net income of approximately HK$60,316,000 for the year compared to a loss of approximately HK$42,160,000 in the previous year. As the Group has gradually shifted its focus to the biopharmaceutical field in light of the relatively more promising prospect of the industry, less reliance has been placed on the Group's initial core business of manufacturing and trading of packaging products, paper gifts items and promotional products. During the year under review, turnover attributable to the distribution of biopharmaceutical products accounted for approximately 76.1% of total turnover, while turnover attributable to manufacturing and trading of packaging products, paper gifts items and promotional products accounted for approximately 23.9% of total turnover.

Business Review

Sale of biopharmaceutical products

With the completion of the acquisition of Figures Up Trading Limited and its subsidiaries ("FUTL Group") on 14 June 2006 and the completion of the acquisition of Nan Hoo Properties Limited and its subsidiaries ("Nan Hoo Group") on 21 December 2006, the Group has integrated and consolidated the FUTL Group's distribution channel of biopharmaceutical products with Nan Hoo Group's production facilities. The former achieves nationwide Good Service Practice ("GSP") recognition and the latter earns Good Manufacturing Practice ("GMP") recognition in the PRC.

Subsequent to the respective completion of the acquisition of FUTL Group and Nan Hoo Group, the turnover and gross profit of this segment amounted to approximately HK$259,519,000 and approximately HK$172,204,000 respectively for the year ended 31 March 2007.

The results of FUTL Group were consolidated with effect from 14 June 2006 and results of Nan Hoo Group with effect from 21 December 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth analysis of sales, gross profit of the pharmaceutical products segment for fiscal year 2006/2007 with proforma figures prepared as if FUTL Group and Nan Hoo Group were in the Group throughout each of the years ended 31 March 2006 and 2007. Certain information of the table is derived from management accounts and is therefore unaudited.

	Pharmaceutical Products Segment		
	Proforma		Consolidated Year ended
	Year ended 31 March		31 March
	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*
Sales – own brand	22,422	54,100	46,993
Sales – third party	285,627	250,563	215,356
Less: returns and sales tax	(3,324)	(3,287)	(2,830)
	304,725	301,376	259,519
Direct cost of sales – own brand	(2,242)	(5,410)	(4,699)
Direct cost of sales – third party	(77,348)	(84,990)	(71,921)
Depreciation	(13,176)	(15,033)	(10,695)
	(92,766)	(105,433)	(87,315)
Gross profit	211,959	195,943	172,204

The Group will continue to develop and market pharmaceutical products of own brand that yield higher profit margin and place less reliance on distribution of third party pharmaceutical products that yield lower profit margin.

Packaging Products

Sales of packaging products for the period under review amounted to HK$40,928,000, representing a drop of approximately 7% when compared to last year. The decrease was mainly due to increase in market competition and the prudent approach taken by the Group in accepting new orders.

Paper gift items

Paper gift items recorded a turnover of approximately HK$9,222,000, representing a decrease of approximately HK$6,455,000 or around 41.2% when compared to corresponding period of last year. The decrease was mainly due to increase in market competition and the prudent approach taken by the Group in accepting new orders.

Promotional products

For the period under review, the turnover of this segment amounted to approximately HK$31,225,000, representing a decrease of approximately HK$4,239,000 or 11.9% when compared to approximately HK$35,464,000 recorded in last year. The decrease was mainly due to the increase in market competition and the prudent approach taken by the Group in accepting new orders.

Research Platform

The Group has developed several pharmaceutical R&D technology platforms, which include E.coli expression system, Pichia Yeast expression system, mammalian cell expression system, Gene therapy drugs development system and chemical medicines development system.

E.coli, Yeast and mammal cell expression system

The Group has established gene cloning, genetic engineering expression, fermentation, purification and examination technology systems. These systems exhibit the characteristics of high efficiency, high flux and high stability. With a series of B. Braun's bioreactors from 2L~50L, the Group may carry on the pilot scale protein preparation. Each time of fermentation may produce up to ten thousand lyophilized injection products. At the same time, mainly by making use of the AKTA liquid chromatography separation system, the Group has established the high flux two steps standard operating procedure for protein purification. With this standard method, the protein purity after purification is up to 98 percent, which is higher than the official standard in the PRC.

Gene therapy medicine platform

Adenovirus becomes one of the most important gene carrier systems because of so many important characteristics such as its clear structure and function. The Group has established an entire set of recombinant adenovirus technology, such as recombinant virus construction, transfection, monoclonal preparation, as well as highly effective packing. At present, the Group's independently developed adenovirus product is at the stage of animal experimentation.

Chemical medicines platform

This platform is capable of designing, synthesizing and analyzing various small molecular chemical drugs and can prepare various new pharmaceutical types such as orally distintegrating tablets, soft capsule, ophthalmic gel, lyophilized powder and small dripping solution.

Product development

Developing and focusing its research on pharmaceutical products in the PRC, the Group has a number of new patent protected Class I & II prescription drugs in the pipeline. The Class I prescription drugs include Recombinant Exendin-4 (rExendin-4), Recombinant Human Erythropoietin-Fc, (rhEPO-Fc) and Recombinant Thymopentin (rTP-5). The Class II prescription drugs include Recombinant Human Parathyroid Hormone (rhPTH 1-34), and Recombinant Human Interleukin 11 (rhIL-11).

rExendin-4

With the rapid increase in population with diabetes, it is expected that the expenditure on diabetes treatment in the PRC will increase to RMB 170 billion in 2010. Diabetes drugs are one of the fastest growing segments in the pharmaceutical market, increased by 40% in 2004 and accounting for 20% of all prescription drugs. In the PRC, the pharmaceutical market size is estimated to be about US$23-50 billion.

rExendin-4 is a non-insulin antidiabetic treatment that stimulates the incretin pathway (a distinct mechanism of action), which is drawing attention in the medical community and have received the approval from State Food and Drug Administration in the PRC ("SFDA") for clinical trials. Phase I clinical trials started in July 2006 and completed during the year and Phase II clinical trials are in progress.

Classified as Class I prescription new drug and with nominal side effects, rExendin 4 stimulates the body's ability to produce insulin in response to elevated levels of blood glucose, inhibits the release of glucagon following meals and slows down the rate glucose are absorbed into the bloodstream. This new generation drug will be an effective treatment for Type 2 diabetes.

rhEPO-Fc

This medication can be used for treatment of anemia associated with renal diseases, cancer related therapies or surgical blood loss. EPO is currently commercialized by several pharmaceutical companies for a worldwide market that exceeds USD$10 billion, and the EPO market is growing at an average annual rate of 21%. The leading participants in the EPO market include Amgen, Johnson & Johnson & Roche.

The pre-clinical trial of rhEPO-Fc has just been completed and human clinical trial will commence upon approval.

rTP-5

rTP-5 can be used in the treatment of chronic hepatitis B. It is well known that hepatitis is an epidemic in the PRC, especially hepatitis B. The global statistics of patients that have chronic infections with hepatitis B is around 400 million. The chronically infected population in China is about 120 million (~30% of the global infected population).

rTP-5 is a bio-medical preparation for treating chronic hepatitis B and the research progress is currently at the final stages of pre-clinical trials.

rhIL-11

rhIL-11 is currently under Phase 3 clinical trials approved by the SFDA for the treatment of chemotherapy-induced thrombocytopenia and is expected to be launched by 2007. rhIL-11 is a Class II prescription new drug that stimulates human body to make platelets, which are a type of blood cell. It is suitable for patients who have received certain types of chemotherapy and is used to help prevent the number of platelets circulating in the blood from dropping dangerously low causing the patient to have difficulties in blood clotting.

rhIL-11 may reduce the need for platelet transfusions after chemotherapy. A study shows that after applying the drug to non-myelosuppressed cancer patients, platelet counts increased significantly. Upon cessation of the treatment, platelet counts continued to increase for up to 7 days then returned to baseline within 14 days. Besides treating chemotherapy-induced thrombocytopenia, rhIL-11 also shown to have a variety of non-haematological actions such as stimulation of osteoclast development, inhibition of proliferation of adipocytes, protection of the gastrointestinal mucosa, induction of acute phase response proteins and possibly rheumatoid arthritis.

rhPTH 1-34

Another bio-pharmaceutical product of the Group is rhPTH 1-34 which has been granted approval for Phase II clinical trials as a Class II prescription new drug. It is a type of bone-active agent that primarily works by stimulating new bone formation on quiescent bone surface that is not simultaneously undergoing remodeling. It increases bone mass to a greater degree than just filling in the bone remodeling space.

Osteoporosis is a worldwide epidemic. In 2005, the affected population in the PRC with osteoporosis is approximately 90 million (almost 8% of the country's population). The severe prevalence of this disease is partly due to the dietary habit (lack of calcium). rhPTH 1-34 has the potential to restore bone mass, bringing it back towards normal, and may reduce the risk of osteoporotic fracture more than currently available antiresorptive agents.

MANAGEMENT DISCUSSION AND ANALYSIS

According to the preliminary information gathered, the daily treatment with rhPTH 1-34 is expected to reduce the risk of new vertebral fractures by about 65% and the risk of non-vertebral fractures by about 35% in the group treated with rhPTH 1-34 as compared with the group treated with placebo.

Chemical medicines in pipeline

Besides from a series of innovative bio-medicines in the pipeline, the Group also have a series of both innovative and generic chemical medicines in the pipeline. The indications of the chemical medicines include: allergic rhinitis, nausea and vomiting, Parkinson's disease, high blood pressure, obesity, lipid lowering, cough, asthma, allergy and heart failure. The research progresses are at various stages of pre-clinical and clinical trials.

Future Outlook and Prospects

The key growth driver for the Group is a diversified product portfolio and a low cost to high premium mix, in which the research and development ("R&D") cost is only 3-5% of the counterparts in USA. The Group would expect to increase the number of distributed products to 100 by 2007 and will expand the sales and distribution coverage. Sales and probability are expected to be boosted significantly upon the marketing of drugs currently being developed in the pipeline. The corporate strategy is to adopt vertical integration by integrating production process, supply of raw materials or active pharmaceutical ingredients, R&D and manufacturing so as to enable the Group to become a leading player in the biotechnology industry in the PRC. In order to focus on the biopharmaceutical field, the Group is actively re-evaluating its existing business operations and committed to considering the feasibility of downsizing or (if suitable opportunities arise) divesting its operations in the manufacturing and trading of packaging products, paper gift items and promotional products shall opportunities arise the Group will also acquire leading technology platform through takeover or collaboration.

The outlook for fiscal year 2007/2008 is favourable. The Company's future growth is optimistic since the business opportunities in the pharmaceutical and healthcare industry in the PRC will remain buoyant given the increasing income and health awareness of the mainland population. The Company will maintain its strategic focus on growth enhancement and the management anticipates the Group's overall business in fiscal year 2007/2008 to further prosper. It is one of the Company's primary objectives to make every effort to enhance the investment value of its shareholders in the Company and will, based on the recommendation of the Directors and the profitability of the Group's business, consider the making of a special dividend to its shareholders in the third quarter of 2007 to enable them to share the success of the Company.

Liquidity and Financial Resources

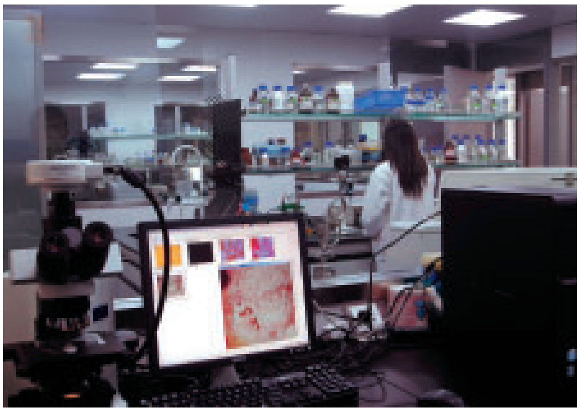
The shares issued during the period in connection with the open offer in April 2006, the acquisition of FUTL Group in June 2006, the placement in August 2006 and the acquisition of Nan Hoo Group in December 2006 have significantly strengthened the liquidity and financial resources of the Group.

As at 31 March 2007, the Group's bank deposits, bank balances and cash amounted to HK$56,418,000 and bank and other borrowings amounted to HK$101,471,000 (including convertible bonds of HK$51,876,000). As at 31 March 2007, the Group has assets of approximately HK$1,299,447,000. Current assets of the Group as at 31 March 2007 amounted to approximately HK$276,529,000 while current liabilities were HK$131,223,000. The gearing ratio, calculated by dividing the total debts over its total assets, was 7.8%.

The Group's major interest and operations are in the PRC. The Group also contracts with suppliers for goods and services that are denominated in Renminbi. The Group does not hedge its foreign currency risks as the rate of exchange between Hong Kong dollar and Renminbi is controlled within a narrow range. However, any permanent changes in foreign exchange rates in Renminbi may have an impact on the Group's results.

Pledge of Assets

As at 31 March 2007, the Group's banking facilities were secured by bank deposits of HK$13,550,000 (2006: HK$13,040,000) and plant and machinery with net book value of HK$47,805,000 (2006: HK$34,115,000).



Employment and remuneration policy

As at 31 March 2007, the Group employed a total of approximately 1,300 staff, including approximately 70 staff in the PRC R&D centres, approximately 300 staff in the PRC sales offices, approximately 900 staff in the PRC production sites and approximately 40 staff in Hong Kong. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed on the base of performance. Share options may also be granted to staff with reference to the individual's performance.

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. TONG Kit Shing, aged 46, is the Chairman of the Company. He was engaged in metal trading business in the PRC since 1997. Mr. TONG has also been investing in a company, namely 江都沿江匯同水處理發展有限公司, in the PRC which is principally engaged in the development of water treatment system.

Mr. LIU Guoyao, aged 43, is experienced in the management and business administration in the PRC. Mr. LIU owns a hotel in Dongguan, the PRC and has participated in the day-to-day operation and management thereof as a general manager since 1999.

Mr. CHENG Wai Man, aged 47, has five years of experience in corporate and marketing management in printing industry. Mr. CHENG currently is engaged in trading of bio-chemical products.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIN Jian, aged 71, working at Jinan University in Guangzhou, the PRC as a professor in Biological Engineering. He had also held various local social offices including Committee Member of the Scientific Technology Consultancy Committee of the Government of the Guangdong Province and the Managing Director of the Biological Engineering Society of the Guangdong Province.

Mr. LIN is also an independent non-executive director of Global Green Tech Group Limited, a company listed on the Stock Exchange.

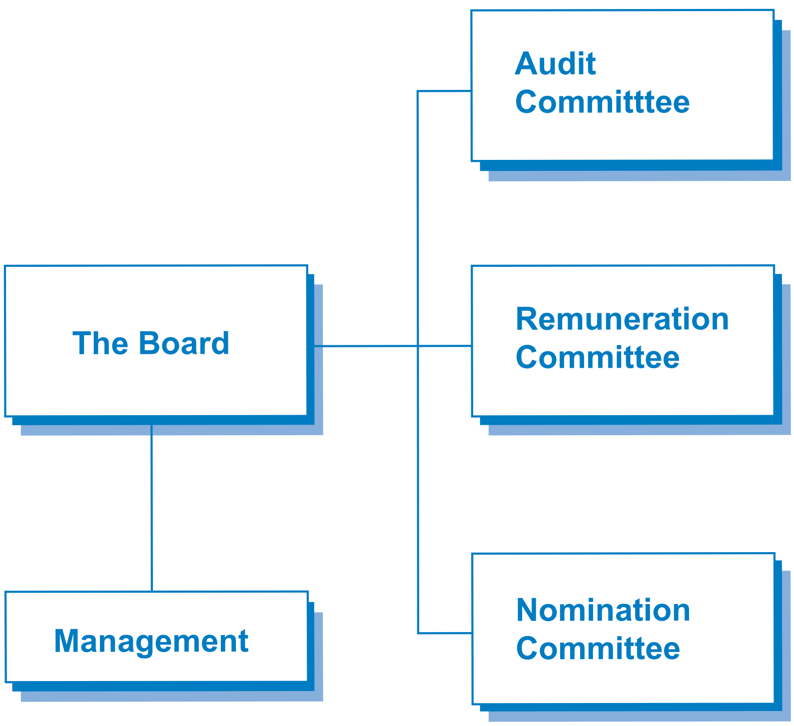
Mr. SO Yin Wai, aged 45, graduated from Hong Kong Polytechnic University in 1986 and has been in the accounting profession for nearly 20 years. He is a member of the Association of Chartered Certified Accountants of United Kingdom and the Hong Kong Institute of Certified Public Accountants. He had previously worked for Peat, Marwick, Mitchell & Co. and Messrs. Kwan Wong Tan & Fong and been involved in the audit of a number of international and local engagements and listed companies. He is currently the sole practitioner of his own firm known as Alex So & Co (Certified Public Accountants). Apart from his auditing experiences, Mr. SO also specializes in company secretarial work, tax planning and management consultancy matters. Mr. SO is currently the Vice-Chairman of China Business Association. He is the Honorary Auditor of a number of voluntary organizations, including Hong Kong Parkinson's Disease Foundation, Life Currents and Caring Centre Foundation Limited. Mr. SO is also one of the independent non-executive directors of Green Energy Group Limited, a company listed on the Stock Exchange.

Mr. ZHOU Yaoming, aged 71, has over 40 years of experience in academic training and education in the People's Republic of China and has been the Principal of Jinan University since 1999. Mr. ZHOU graduated from Zhongshan University with a Bachelor Degree in History. Mr. ZHOU is one of the independent directors and a member of the Audit, Nominating and Remuneration Committees of Bio-Treat Technology Limited, a company listed on the main board of Singapore Exchange Securities Trading Limited. He was (retired on 5 June 2006) also an independent non-executive director of Green Energy Group Limited.

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 2006/2007, 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.

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.

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 place 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.

	Meeting Attended/Held
Executive Directors	
TONG Kit Shing *(Chairman)*	2/2
LIU Guoyao	2/2
CHENG Wai Man	2/2
Independent Non-executive Directors	
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 2007.

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 since 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	2/2
ZHOU Yaoming	2/2
LIN Jian	2/2

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 2007 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.

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") since 4 November 2005. Members of the nomination committee as at 31 March 2007 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$1,900,000 for auditing services by the auditors of the Group in respect of the year ended 31 March 2007.

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 2007, 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.

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 my 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.

The directors ("Directors") of Uni-Bio Science Group Limited present their annual report and the audited consolidated financial statements of the Group (comprising the Company and its subsidiaries) for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES AND SEGMENTAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 18 to the financial statements.

Segmental information of the Group was disclosed in note 12 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March 2007 are set out in the consolidated income statement on page 37.

DIVIDEND

The Directors recommend a final cash dividend of HK$1.1 cents per share payable on 13 August 2007 to shareholders whose names are on the register of members on 6 August 2007.

BONUS ISSUE OF SHARES

The Directors also recommend a bonus issue of shares on the basis of six bonus shares for every one existing share held by shareholders whose names are on the register of members on 6 August 2007.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out as follows:

	2007 HK$'000	2006 HK$'000	2005 HK$'000 (restated)	2004 HK$'000 (restated)	2003 HK$'000 (restated)
Results					
Profit/(loss) attributable to shareholders	**60,322**	(42,446)	(887)	(18,880)	(5,384)
Assets and liabilities					
Total assets	**1,299,447**	138,809	183,114	212,704	211,963
Total liabilities	**(229,017)**	(105,205)	(107,384)	(135,577)	(116,530)
Shareholders' funds	**1,070,430**	33,604	75,730	77,127	95,433

In October 2001, the Company became the holding company for the other companies comprising the Group pursuant to the reorganisation involving companies under common control. The Company and its subsidiaries resulting from the reorganisation have been regarded as a continuing group. Accordingly, the reorganisation was accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group for the year ended 31 March 2002 or for the period from their respective dates of incorporation or establishment to 31 March 2002, whichever is the shorter period, rather than from the date on which the reorganisation was completed, except for any acquisitions or disposals subsequent to the reorganisation which are accounted for under the acquisition basis of accounting.

Accordingly, the results of the Group for the year ended 31 March 2002 have been prepared on the basis of merger accounting. The assets and liabilities of the Group from 31 March 2002 onwards, and the results for year ended 31 March 2003 onwards have been prepared on consolidated basis.

SHARE CAPITAL AND RESERVES

Details of the movements in share capital of the Company during the year are set out in note 29 to the financial statements.

Movements in reserves of the Group and the Company during the year are set out in note 30 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the financial statements.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. TONG Kit Shing *(Chairman)*
Mr. LIU Guoyao
Mr. CHENG Wai Man

Independent non-executive Directors:

Mr. SO Yin Wai
Mr. ZHOU Yaoming
Mr. LIN Jian

In accordance with article 86(3) of the Company's articles of association ("**Articles**"), Mr. TONG Kit Shing, Mr. LIU Guoyao, Mr. CHENG Wai Man, Mr. SO Yin Wai, Mr. ZHOU Yaoming and Mr. LIN Jian will retire at the forthcoming annual general meeting of the Company to be convened and held on 6 August 2007 and being eligible, offers themselves for re-election.

Biographical information of Directors is set out on page 16 of this report.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Company considers all the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company Securities.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2007, the beneficial interests of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("**SFO**"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	The Company/ Name of associated corporation	Capacity	Number of issued securities (L) *(Note 1)*	Appropriate percentage of shareholding
TONG Kit Shing	The Company	Interest of a controlled corporation *(Note 2)*	348,058,248 shares of HK$0.10 each *(Note 3)*	34.67%
LIU Guoyao	The Company	Interest of a controlled corporation *(Note 2)*	348,058,248 shares of HK$0.10 each *(Note 3)*	34.67%

Notes:

1. The letter "L" denotes the person's long position in the shares and underlying shares in the Company or its associated corporation(s).

2. These shares are registered in the name of and beneficially owned by Automatic Result, which is solely and beneficially owned by Mr TONG Kit Shing whereas Mr LIU Guoyao is the sole director of Automatic Result. Both Mr TONG and Mr LIU are deemed to be interested in all the interest in shares and underlying shares in the Company held by Automatic Result by virtue of the SFO.

3. The number of Shares does not take into account any Shares which may fall to be allotted and issued upon exercise of the warrants issued by the Company as disclosed in the announcement of the Company dated 25 August 2006.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

As disclosed in note 36 to the financial statements, there were related party transactions for the year ended 31 March 2007. As the amount of these transactions for the year fall below the de-minimis threshold under the then applicable Listing Rules, they are exempt from the disclosure and the shareholders' approval requirements.

Save as disclosed in the financial statements, no contract of significance to which the Company, its subsidiaries, its ultimate holding company or any of its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year and none of the directors of the Group had any direct or indirect interest in any assets acquired or disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

COMPETING INTERESTS

None of the Directors or any of their respective associates (as defined in the Listing Rules) of the Company had an interest in a business which causes or may cause any significant competition with the business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

For the year under review, the top five customers of the Group together accounted for approximately 23% (2006: 31%) of the Group's total sales for the year while the single largest customer accounted for approximately 5% (2006: 11.6%) of the Group's total sales during the year.

The top five suppliers of the Group for the year under review together accounted for approximately 73% (2006: 49.7%) of the Group's total purchases for the year and the single largest supplier accounted for approximately 21% (2006: 17.2%) of the Group's total purchases.

None of the Directors, their respective associates or any shareholders of the Company who owns more than 5% of the issued share capital of the Company has any interests in the Group's five largest customers and suppliers.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2007, shareholders (other than directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company were as follows:

Name	Capacity	Number of issued securities (L) *(Note 1)*	Appropriate percentage of shareholding
Automatic Result	Beneficial owner	348,058,248 shares of HK$0.10 each *(Note 3)*	34.67%
TONG Kit Shing	Interest of a controlled corporation *(Note 2)*	348,058,248 shares of HK$0.10 each *(Note 3)*	34.67%
LIU Guoyao	Interest of a controlled corporation *(Note 2)*	348,058,248 shares of HK$0.10 each *(Note 3)*	34.67%
World Eagle International Limited	Beneficial owner *(Note 4)*	69,500,000 shares of HK$0.10 each *(Note 3)*	6.92%
Ming Kar Fook, Charles	Interest of a controlled corporation *(Note 4)*	69,500,000 shares of HK$0.10 each *(Note 3)*	6.92%

Notes:

1. The letter "L" denotes the person's long position in the shares and underlying shares in the Company.

2. Automatic Result is solely and beneficially owned by Mr TONG Kit Shing whereas Mr LIU Guoyao is the sole director of Automatic Result. Accordingly, each of Mr TONG and Mr LIU is, by virtue of the SFO, deemed to be interested in all the shares and underlying shares in the Company in which Automatic Result is interested.

3. The number of Shares does not take into account any Shares which may fall to be allotted and issued upon exercise of the warrants issued by the Company as disclosed in the announcement of the Company dated 25 August 2006.

4. World Eagle International Limited is solely and beneficially owned by Mr Ming Kar Fook, Charles. Accordingly, Mr Ming is, by virtue of the SFO, deemed to be interested in all the shares and underlying shares in the Company in which World Eagle International Limited is interested.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares in the Company as at 31 March 2007.

CONTINGENT LIABILITIES

Significant contingent liabilities are disclosed in note 34 to the financial statements.

RETIREMENT BENEFITS SCHEMES

Particulars of the retirement benefits schemes of the Group are set out in note 3 to the financial statements.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, options, warrants or instruments carrying other similar rights as at 31 March 2007.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year ended 31 March 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed Shares.

SHARE OPTIONS

The Company's existing share option scheme (the "**Existing Share Option Scheme**") was adopted pursuant to a written resolution passed on 22 October 2001 by the then shareholders of the Company. Particulars of the Existing Share Option Scheme are set out below.

(a) **Participants of the Existing Share Option Scheme**

The board of Directors (the "Board") may, as its absolute discretion, offer to grant to any full time employee of the Group (including directors of the Company) (the "Eligible Person"), options to subscribe for shares of the Company.

(b) **Maximum number of Shares**

The maximum number of shares in respect of which options may be granted (including shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Existing Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed ten per cent. (10%) of the shares in issue whereas the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised at any time under the Scheme and any other share option schemes of the Group shall not exceed thirty per cent. (30%) of the issued share capital of the Company from time to time.

SHARE OPTIONS *(Continued)*

(c) **Maximum entitlement of each participant**

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme (including both exercised or outstanding options) to each Eligible Person in any twelve-month period must not exceed one per cent.(1%) of the issued share capital of the Company for the time being.

(d) **Time of exercise of option**

Pursuant to the rules of the Existing Share Option Scheme, an Option may be exercised in whole or in part in the manner provided in the Existing Share Option Scheme by a grantee giving notice in writing to the Company at any time during a period commencing one year after the date of the Options, to be notified by the Board to the grantee, which shall be not less than 3 years nor more than 10 years from the date an Option is granted.

(e) **Payment on acceptance of option**

Upon application or acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant.

(f) **Subscription price for shares**

The subscription price of options pursuant to the Existing Share Option Scheme is absolute discretion determined by the Board and will not be less than the highest of the following:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share, provided that for the purpose of determining the subscription price of the shares where the shares have been listed on the Stock Exchange for less than 5 business days preceding the date of grant, the issue price of the shares in connection with such listing shall be deemed to be the closing price of the shares for each business day falling within the period before the listing of the shares on the Stock Exchange.

(g) **Period of the Existing Share Option Scheme**

The Existing Share Option Scheme will remain in force for a period of ten years commencing from the Adoption Date.

SHARE OPTIONS *(Continued)*

As at 31 March 2007, 72,000,000 option was granted by the Company pursuant to the Existing Share Option Scheme.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 17 to 24 of this report.

AUDIT COMMITTEE

The Company set up the audit committee ("**Audit Committee**") for the purpose of reviewing and providing supervision over the Company's financial reporting procedures and the internal control system, and maintaining an appropriate relationship with the Company's auditors.

The written terms of reference which govern the authority and duties of the Audit Committee were adopted in 2001 and subsequently amended in 2005 to align with the requirements of the code provisions of the Code on Corporate Governance Practices set out in the Listing Rules.

The Audit Committee provides an important link between the Board and the Company's auditors in audit, financial reporting and internal control matters. The Audit Committee, comprising of all the three independent non-executive Directors (namely Mr. SO Yin Wai, Mr. ZHOU Yaoming and Mr. LIN Jian) had reviewed with the auditors and the management of the Company the audited results of the Group for the year, the accounting principles and practices adopted by the Company and certain other matters relating to the internal control and financial reporting procedures of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year.

AUDITORS

During the year, the accounts have been audited by CCIF CPA Limited who retire and, being eligible, offer themselves for re-appointment at a fee to be agreed by the Board.

POST BALANCE SHEET EVENTS

(1) On 25 June 2007, the remaining balances of the Convertible Bonds with principal amount totalling HK$60,800,000 were converted into new ordinary shares at a fixed conversion price of HK$0.95 per share and as a result, 64,000,000 shares were issued and allotted.

(2) At 31 March 2007, a subsidiary of the Group which is engaged in printing business, was indebted to a third party creditor of HK$6,777,000 in respect of a loan arrangement made out in 2005 and before the change in control of the Company on 25 August 2005. The third party creditor went into members' voluntary liquidation during the year. On 25 June 2007, the liquidator of the third party creditor demanded repayment of the indebtedness plus accrued interest up to 30 June 2007 and ancillary legal costs totaling approximately HK$7,569,000. If the amount will not be repaid within the statutory notice period, the liquidator of the third party creditor may serve to issue a Winding-Up Petition to wind up the subsidiary without further notice. The subsidiary is negotiating refinancing of the indebtedness. Full amount of the interest and costs demanded by the liquidator of the third party creditor have been provided for in the financial statements.

On behalf of the Board

TONG Kit Shing
Chairman

Hong Kong, 29 June 2007

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

TO THE SHAREHOLDERS OF UNI-BIO SCIENCE GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Uni-Bio Science Group Limited (the "Company") set out on pages 37 to 112, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other persons for the contents of the reports.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 29 June 2007

Chan Wai Dune, Charles
Practising Certificate Number P00712

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
Turnover	4	340,894	94,949
Cost of sales		(155,702)	(78,513)
Gross profit		185,192	16,436
Other revenue and net income	5	18,812	3,075
Selling and distribution expenses		(22,479)	(1,627)
General and administrative expenses		(51,149)	(24,273)
Impairment loss of goodwill		–	(6,538)
Impairment loss of obsolete inventories		(3,360)	–
Impairment loss of bad and doubtful debts		(548)	(8,774)
Write off of inventories		(646)	(8,526)
Write off of bad debts		(287)	(12,716)
Profit/(loss) from operations		125,535	(42,943)
Finance costs	6(a)	(14,861)	(4,130)
Gain on deconsolidation of a subsidiary	38	10,147	–
Gain on disposal of a subsidiary	39	–	1,359
Profit/(loss) before taxation	6	120,821	(45,714)
Income tax	7	(60,505)	3,554
Profit/(loss) for the year		60,316	(42,160)
Attributable to:			
Equity shareholders of the Company	10	60,322	(42,446)
Minority interests		(6)	286
Profit/(loss) for the year		60,316	(42,160)
Dividends	13	11,044	–
Earnings/(loss) per share	11		
Basic		7.40 cents	(18.34) cents
Diluted		7.10 cents	N/A

The notes on pages 44 to 112 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Goodwill	16	557,541	–
Property, plant and equipment	14	334,549	63,882
Leasehold land and land use rights held for own use	15	14,697	–
Intangible assets	17	114,257	–
Available-for-sale securities	19	–	–
Deferred tax assets	32	1,874	139
		1,022,918	64,021
Current assets			
Leasehold land and land use rights held for own use	15	784	–
Inventories	20	15,352	17,732
Trade receivables	21	59,737	16,633
Other receivables, deposits and prepayments	22	142,919	24,394
Dividend receivable		1,100	1,100
Tax recoverable		219	1
Pledged bank deposits		13,550	13,040
Cash and cash equivalents	23	42,868	1,888
		276,529	74,788
Current liabilities			
Trade payables	26	30,380	17,604
Accrued charges and other payables		55,311	15,704
Tax payable		20,813	77
Amount due to ultimate holding company	24	–	1,547
Amounts due to directors	25	–	1,903
Current portion of long-term loans	27(a)	12,645	13,700
Current portion of obligations under finance leases	27(b)	161	100
Trust receipts		2,962	2,438
Bank overdrafts, secured	23	8,951	8,360
		131,223	61,433
Net current assets		145,306	13,355
Total assets less current liabilities		1,168,224	77,376
Non-current liabilities			
Long-term loans	27(a)	36,950	37,637
Obligations under finance leases	27(b)	202	209
Convertible bonds	28	51,876	–
Deferred tax liabilities	32	8,766	5,926
		97,794	43,772
NET ASSETS		1,070,430	33,604

CONSOLIDATED BALANCE SHEET

As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
CAPITAL AND RESERVES			
Share capital	29	**100,400**	18,000
Reserves	30	**968,936**	14,504
Total equity attributable to equity shareholders of the Company		**1,069,336**	32,504
Minority interests		**1,094**	1,100
TOTAL EQUITY		**1,070,430**	33,604

Approved and authorised for issue by the board of directors on 29 June 2007 and are signed on its behalf by:

Director *Director*

The notes on pages 44 to 112 form part of these financial statements.

BALANCE SHEET

As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Investments in subsidiaries	18	8,020	71,870
Current assets			
Amounts due from subsidiaries	18	1,099,724	27,225
Other receivables, deposits and prepayments	22	27	104
Cash and cash equivalents	23	2,838	313
		1,102,589	27,642
Current liabilities			
Other payables		3,136	903
Amount due to ultimate holding company	24	–	1,546
Amount due to a director	25	–	1,500
		3,136	3,949
Net current assets		1,099,453	23,693
Total assets less current liabilities		1,107,473	95,563
Non-current liabilities			
Convertible bonds	28	51,876	–
NET ASSETS		1,055,597	95,563
CAPITAL AND RESERVES			
Share capital	29	100,400	18,000
Reserves	30	955,197	77,563
TOTAL EQUITY		1,055,597	95,563

Approved and authorised for issue by the board of directors on 29 June 2007 and are signed on its behalf by:

Director *Director*

The notes on pages 44 to 112 form part of these financial statements.

For the year ended 31 March 2007

	Attributable to equity shareholders of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based payments reserve HK$'000	Equity component of convertible bonds reserves HK$'000	Revaluation reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2005	18,000	12,667	(243)	534	–	–	1,330	20	42,447	74,755	975	75,730
Recognition of profit from minority interests	–	–	–	–	–	–	–	–	1,081	1,081	(795)	286
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(886)	(886)	634	(252)
Loss attributable to shareholders	–	–	–	–	–	–	–	–	(42,446)	(42,446)	286	(42,160)
At 31 March 2006 and 1 April 2006	18,000	12,667	(243)	534	–	–	1,330	20	196	32,504	1,100	33,604
Issue of shares – open offer	36,000	144,000	–	–	–	–	–	–	–	180,000	–	180,000
Issue of shares – acquisition of subsidiaries	30,000	392,000	–	–	–	–	–	–	–	422,000	–	422,000
Issue of shares – share placement	10,800	259,200	–	–	–	–	–	–	–	270,000	–	270,000
Recognition of equity component of convertible bonds	–	–	–	–	–	22,320	–	–	–	22,320	–	22,320
Equity settled share-based payments transactions	–	–	–	–	32,540	–	–	–	–	32,540	–	32,540
Expenses incurred on share issue	–	(3,220)	–	–	–	–	–	–	–	(3,220)	–	(3,220)
Issue of shares upon conversion of convertible bonds	5,600	49,346	–	–	–	(10,416)	–	–	–	44,530	–	44,530
Transfer	–	–	–	6,289	–	–	–	–	(6,289)	–	–	–
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	–	8,894	–	8,894	–	8,894
Released upon deconsolidation of a subsidiary	–	–	–	(534)	–	–	–	(20)	–	(554)	–	(554)
Profit attributable to shareholders	–	–	–	–	–	–	–	–	60,322	60,322	(6)	60,316
At 31 March 2007	**100,400**	**853,993**	**(243)**	**6,289**	**32,540**	**11,904**	**1,330**	**8,894**	**54,229**	**1,069,336**	**1,094**	**1,070,430**

The notes on pages 44 to 112 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
Operating activities			
Profit/(loss) before taxation		120,821	(45,714)
Adjustments for:			
Amortisation of land use rights held for own use		194	–
Amortisation of intangible assets		3,815	–
Depreciation		20,591	9,864
Finance costs	6(a)	14,861	4,130
Interest income		(5,194)	(234)
Tax indemnity from an ex-director		(6,676)	–
Loss on disposal of property, plant and equipment		91	3,188
Impairment loss of goodwill		–	6,538
Impairment loss of obsolete inventories		3,360	–
Impairment loss of bad and doubtful debts		548	8,774
Write off of inventories		646	8,526
Write off of bad debts		287	12,716
Bad debts recovery		(2,206)	–
Gain on deconsolidation of a subsidiary	38	(10,147)	–
Gain on disposal of a subsidiary	39	–	(1,359)
Share-based payments expenses		32,540	–
Minority interests		–	1,393
Operating cash flows before movements in working capital		173,531	7,822
Increase in inventories		(6,463)	(6,434)
(Increase)/decrease in trade and other receivables, deposits and prepayments		(78,267)	3,973
Increase/(decrease) in trade payables, accrued charges and other payables		53,829	(8,675)
(Decrease)/increase in amount due to ultimate holding company		(1,547)	1,547
(Decrease)/increase in amounts due to directors		(1,903)	1,903
Cash generated from operations		139,180	136
Tax paid:			
Hong Kong profits tax paid		(4,029)	(841)
Overseas income tax paid		(48,347)	–
Net cash generated from/(used in) operating activities		86,804	(705)

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
Investing activities			
Net cash outflow from acquisition of subsidiaries	37(a)&(b)	(507,623)	–
Net cash outflow from deconsolidation of a subsidiary	38	(37)	–
Purchases of property, plant and equipment		(103,271)	(1,398)
Proceeds from disposal of property, plant and equipment		55	5,303
Increase in pledged bank deposits		(511)	(6,870)
Interest received		5,194	234
Net cash used in investing activities		(606,193)	(2,731)
Financing activities			
Capital element of finance lease rentals paid		(120)	(13,172)
Repayment of bank and other loans		(5,218)	(27,319)
New borrowings raised from bank and other loans		3,475	51,944
Repayment of trust receipts		(2,438)	(1,960)
New borrowings raised from trust receipts		2,962	2,438
Interest element of finance lease rentals paid		(380)	(542)
Interest paid		(3,443)	(3,588)
Proceeds from issue of shares by open offer		176,780	–
Proceeds from issue of shares by share placement		270,000	–
Proceeds from issue of convertible bonds		114,000	–
Net cash generated from financing activities		555,618	7,801
Net increase in cash and cash equivalents		36,229	4,365
Cash and cash equivalents at beginning of year		(6,472)	(10,837)
Effect of changes in exchange rate		4,160	–
Cash and cash equivalents at end of year	23	33,917	(6,472)

The notes on pages 44 to 112 form part of these financial statements.

1. GENERAL

The Company is an exempted company incorporated with limited liability in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Automatic Result Limited ("ARL"), a company is incorporated in the British Virgin Islands with limited liability, is the single largest shareholder of the Company. The Company's registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is at Room 2302, 23/F., Lippo Centre Tower II, 89 Queensway, Admiralty, Hong Kong.

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in bioscience related business (with focus on the research, development and commercialisation of biopharmaceuticals through recombinant DNA and other technologies), and the manufacture and trading of package products, paper gifts items and promotional product.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the functional currency of the Company and its subsidiaries (hereinafter collectively referred to as the "Group").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued certain new and revised HKFRSs that are first effective for accounting periods beginning on or after 1 April 2006 or available for early adoption for the current accounting period of the Group. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New standards, amendments or interpretations that have been issued but are not yet effective

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 anticipate that the application of these standards, amendments or interpretations will have no material impact to the results and the financial position of the Group.

HKAS 1 (Amendment)	Presentation of financial statements: Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 8	Scope of HKFRS 2[2]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[3]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[4]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[5]

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

2 Effective for annual periods beginning on or after 1 May 2006

3 Effective for annual periods beginning on or after 1 June 2006

4 Effective for annual periods beginning on or after 1 November 2006

5 Effective for annual periods beginning on or after 1 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES

a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable HKFRSs, which collectively includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange ("Listing Rules").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting periods. Note 2 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) SUBSIDIARY NOT CONSOLIDATED

(i) Notwithstanding that the Group held 100% of the equity interest in 力新時紙製品(深圳)有限公司 ("力新時"), a former subsidiary (note 3(b)(ii)), it is no longer regarded as a subsidiary of the Group since the Group no longer has assess to the books and records of 力新時. The directors are of the opinion that controls over 力新時 have been lost with effect from 1 April 2006.

The results, cash flows, assets and liabilities of 力新時 before it ceased to be a subsidiary of the Group have not been consolidated in the financial statements of the Group.

(ii) For the reason stated in note 3(b)(i) above, the results of 力新時had not been consolidated in the income statement since 1 April 2006, being the immediate date before loss of control, and were deconsolidated from the consolidated financial statements and accounted for as available-for-sale securities with effect from 1 April 2006. Accordingly, the consolidated income statement included a profit of approximately HK$10,147,000 arising on deconsolidation of a subsidiary and the consolidated balance sheet included the initial measurement of the available-for-sale securities with nil carrying value.

(iii) In the opinion of the directors, the Group has no material obligations or commitments in the subsidiary that require either adjustments to or disclosure in these financial statements.

The details of the subsidiary not consolidated are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued and paid up share capital	Interest held
力新時	PRC	Manufacturing and sale of paper products/PRC	Contributed capital of HK$3,000,000	100%

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2007 comprise the Company and its subsidiaries except for an ex-subsidiary (note 3(b)).

The measurement basis used in the preparation of the financial statements is the historical costs basis, except that the following assets and liabilities are stated as their fair value as explained in the accounting policies set out below:

– building held for own use (see note 3(f));
– certain plant and machinery (see note 3(f)); and
– convertible bonds (see note 3(l)).

The preparation of financial statements in conformity to HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 42.

d) SUBSIDIARIES AND MINORITY INTERESTS

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

d) SUBSIDIARIES AND MINORITY INTERESTS *(Continued)*

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interest that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 3(i)), unless the investment is classified as held for sale (or included in a disposal Group that is classified as held for sale).

e) GOODWILL

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3(i)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately income statement.

On disposal of a cash generating unit, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

f) PROPERTY, PLANT AND EQUIPMENT

The following items of property, plant and equipment are stated in the balance sheet at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation:

– Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 3(h)); and

– Plant and machinery

Revaluations are performed with sufficient regularly to ensure that the carrying amount of the assets does not differ materially from that which would be determined using fair values at the balance sheet date.

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 3(i)):

– other items of plant and equipment.

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to income statement to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to income statement to the extent that a deficit on revaluation in respect of the same asset had previously been charged to income statement.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 3(u)).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

f) PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in income statement on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Leasehold building	5%
–	Plant and machinery	6.6-20%
–	Furniture, fixtures and equipment	10-20%
–	Leasehold improvements	5-18%
–	Motor vehicles	15-20%

Where parts of an item of property, plant and equipment have different useful lives, the costs or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

g) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 3(u)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 3(i)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 3(i)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

g) INTANGIBLE ASSETS (OTHER THAN GOODWILL) *(Continued)*

Amortisation of intangible assets with finite useful lives is charged to income statement on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	patents	10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible assets is indefinite is reviewed annually to determined whether events and circumstances continue to support the indefinite useful life assessment for that assets. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

h) LEASED ASSETS

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) LEASED ASSETS *(Continued)*

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(i). Finance charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

i) IMPAIRMENT OF ASSETS

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

i) IMPAIRMENT OF ASSETS *(Continued)*

(i) Impairment of receivables (Continued)

If in a subsequent period the amount of an impairment loss decreased and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior year.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);
– leasehold land and land use rights;
– intangible assets;
– investments in subsidiaries; and
– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

i) IMPAIRMENT OF ASSETS *(Continued)*

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to income statement in the year in which the reversals are recognised.

j) INVENTORIES

Inventories, which represent goods held for sale, are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out basis. Net realisable value represents the estimated selling price in the ordinary course of business less all the estimated costs of completion and the estimated cost necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

k) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 3(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 3(i)).

l) CONVERTIBLE BONDS

Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in income statement on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained earnings.

m) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

o) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

p) EMPLOYEES BENEFITS

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share-based payments reserve within equity. The fair value is measured at grant date using Black-Scholes-Merton Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for the recognition as an asset, with a corresponding adjustment to the share-based payments reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based payments reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based payments reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

p) EMPLOYEES BENEFITS

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

q) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible difference, unless it is probable that they will reverse in the future.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

q) INCOME TAX *(Continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

r) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") incurs because a specified debtor fails to make repayment when due in accordance with the terms of a debt instrument.

When the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognisied as deferred income within trade and other trade and others payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognisied in accordance with the Group's policies applicable to that category of assets. Where no such consideration is received or receivable, an immediate expenses is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantee issued. In addition, provision are recognised in accordance with note 3(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

s) REVENUE RECOGNITION

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in income statement as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Service income

Revenue from the provision of accounting services and management services are recognised when the services are provided.

t) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

t) TRANSLATION OF FOREIGN CURRENCIES *(Continued)*

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 April 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 April 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

u) BORROWING COSTS

Borrowing costs are expensed in income statement in the period which are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

v) RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

v) RELATED PARTIES

(v) the party is a close family member of a party referred to in note 3(v)(i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

w) SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group entities within a single segment. Inter-segment pricing is based on similar as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquired segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

4. TURNOVER

The Group is principally engaged in bioscience related business (with focus on the research, development and commercialisation of biopharmaceuticals through recombinant DNA and other technologies), and the manufacture and trading of packaging products, paper gifts items and promotional products in Hong Kong and in the People's Republic of China ("PRC").

Turnover represents the gross invoiced value of goods sold, net of value added tax, sales returns and discounts.

Details of the main business segments of the Group are set out in note 12 to financial statements.

5. OTHER REVENUE AND NET INCOME

	2007 HK$'000	2006 HK$'000
Tax indemnity from an ex-director	6,676	–
Interest income	5,194	234
Waiver of loan from ex-shareholders of a subsidiary	2,901	–
Bad debts recovery	2,206	–
Machine rental income and service income	360	1,177
Sundry income	1,475	1,664
	18,812	3,075

6. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

	2007 HK$'000	2006 HK$'000
a) Finance costs		
Imputed interest on convertible bonds wholly repayable within five years *(note 28)*	4,726	–
Interest on bank advances and other bank borrowings wholly repayable within five years	2,121	2,230
Finance charges on obligations under finance leases	380	542
Other borrowing costs	7,634	1,358
Total borrowing costs	14,861	4,130
b) Staff costs (including directors' emoluments)		
Contributions to defined contribution retirement plans	286	219
Salaries, wages and other benefits	10,838	10,151
Share-based payments expenses	32,540	–
	43,664	10,370
Less: Staff costs included in research and development costs	(10,663)	–
	33,001	10,370
c) Other items		
Auditors' remuneration	2,113	780
Cost of inventories	155,702	78,513
Amortisation of intangible assets	3,815	–
Amortisation of land use rights held for own use	194	–
Depreciation		
– assets held under finance leases	114	86
– other assets	20,477	9,778
	20,591	9,864
Less: Depreciation included in research and development costs	(400)	–
	20,191	9,864
Loss on disposal of property, plant and equipment	91	3,188
Operating lease charges: minimum lease payments – property rentals	2,098	2,087
Research and development costs	12,408	–

7. INCOME TAX

a) Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Subsidiaries of the Company established in the PRC are subject to the PRC Enterprise Income Tax ("EIT") on the taxable income as reported in their PRC statutory financial statements adjusted in accordance with relevant income tax laws. The applicable EIT rate is 33%. However, except for東莞市博康健醫藥科技有限公司("DG-Pharmaceutical"), the PRC subsidiaries have tax incentive granted by PRC Government entitling them to full exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous years. The tax exemption period of two of the Company's PRC subsidiaries have not commenced to run, as their first profit-making year of operation have not been started yet.

Income tax in the consolidated income statement represents:

	2007 HK$'000	2006 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	13	81
Under/(over)-provision in respect of prior years	3,722	(1)
Current tax – Overseas		
Provision for the year	55,665	–
Deferred tax		
Origination and reversal of temporary differences	1,105	(3,634)
	60,505	(3,554)

7. INCOME TAX *(Continued)*

b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2007 HK$'000	2006 HK$'000
Profit/(loss) before taxation	**120,821**	(45,714)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profit/(loss) in the countries concerned	**48,993**	(8,000)
Tax effect of non-deductible expenses and non-taxable income	**3,869**	2,267
Tax effect of unused tax losses not recognised	**1,050**	3,124
Under-provision in prior years	**6,593**	–
Others	**–**	(945)
Actual tax expense	**60,505**	(3,554)

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

For the year ended 31 March 2007

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors:					
Tong Kit Shing	290	–	–	12	302
Liu Guo Yao	–	–	–	–	–
Cheng Wai Man	120	–	–	6	126
Independent Non-executive Directors:					
Zhou Yaoming	24	–	–	–	24
Lin Jian	24	–	–	–	24
So Yin Wai	24	–	–	–	24
	482	–	–	18	500

8. DIRECTORS' REMUNERATION *(Continued)*

For the year ended 31 March 2006

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors:					
Tong Kit Shing [1]	120	–	–	6	126
Liu Guo Yao [1]	–	–	–	–	–
Cheng Wai Man [1]	63	–	–	3	66
Ng Man Chan [2]	420	–	–	–	420
Li Mi Lai [2]	270	–	–	–	270
Non-executive Director:					
Tong Hing Chi [3]	–	–	–	–	–
Independent Non-executive Directors:					
So Yin Wai [1]	26	–	–	–	26
Zhou Yao Ming [1]	26	–	–	–	26
Lin Jian [1]	26	–	–	–	26
Lee Man Kwong [2]	–	–	–	–	–
Leung Siu Cheung [2]	–	–	–	–	–
Lam Kin Kau, Mark [2]	–	–	–	–	–
	951	–	–	9	960

1 Appointed on 22 September 2005

2 Resigned on 13 October 2005

3 Retired on 30 August 2005

During the year, no (2006: Nil) emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None (2006: Nil) of the directors has waived any emoluments during the year.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, nil (2006: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other five (2006: three) individuals are as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other emoluments	–	1,016
Share-based payments	9,994	–
Retirement scheme contributions	–	36
	9,994	1,052

The emoluments of the five (2006: three) individuals with the highest emoluments are within the following bands:

	2007 Number of individuals	2006 Number of individuals
HK$Nil – HK$1,000,000	–	3
HK$1,000,001 – HK$2,000,000	3	–
HK$2,000,001 – HK$3,000,000	2	–

10. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The loss attributable to equity shareholders of the Company includes a loss of approximately HK$8,136,000 (2006: HK$4,806,000) which has been dealt with in the financial statements of the Company.

11. EARNINGS/(LOSS) PER SHARE

a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of approximately HK$60,322,000 (2006: loss of HK$42,446,000) and the weighted average number of ordinary shares of 814,872,799 shares (2006: 231,428,571 shares as restated) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2007	2006 (Restated)
Issued ordinary shares at beginning of year	**2,958,904**	180,000,000
Effect of issue of shares by open offer	**101,448,141**	51,428,571
Effect of issue of shares by placement	**304,394,521**	–
Effect of issue of consideration shares	**167,061,644**	–
Effect of issue of shares upon conversion of convertible bonds	**239,009,589**	–
Weighted average number of ordinary shares at end of year	**814,872,799**	231,428,571

b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of approximately HK$60,322,000 and the diluted weighted average number of ordinary shares of 849,626,855 shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2007
Weighted average number of ordinary shares at 31 March	**814,872,799**
Effect of deemed issue of shares under the Company's share option scheme *(note 30)*	**34,754,056**
Weighted average number of ordinary shares (diluted) at 31 March	**849,626,855**

No diluted loss per share was shown for the year ended 31 March 2006 as there were no dilutive potential ordinary shares outstanding during the year ended 31 March 2006.

12. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Pharmaceutical products:	Research and development, manufacture and sale of pharmaceutical, biological and biochemical products
Packaging products:	Manufacture and sale of packing products
Paper gifts items:	Manufacture and sale of paper gifts products
Promotional products:	Manufacture and sale of promotional products

There are no sales or other transactions between the business segments.

12. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

Primary reporting format-business segments

	Pharmaceutical products		Packaging products		Paper gifts items		Promotional products		Consolidated	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Revenue from external customers	259,519	–	40,928	43,808	9,222	15,677	31,225	35,464	340,894	94,949
Segment results	172,204	–	6,255	7,951	1,410	2,852	5,323	5,633	185,192	16,436
Unallocated operating income and expenses									(59,657)	(59,379)
Profit/(loss) from operations									125,535	(42,943)
Finance costs									(14,861)	(4,130)
Gain on deconsolidation of a subsidiary									10,147	–
Gain on disposal of a subsidiary									–	1,359
Profit /(loss) before taxation									120,821	(45,714)
Income tax									(60,505)	3,554
Profit/(loss) for the year									60,316	(42,160)
Segment assets	578,338	–	46,016	59,433	10,369	21,268	35,095	48,112	669,818	128,813
Unallocated corporate assets									629,629	9,996
Total assets									1,299,447	138,809
Segment liabilities	35,586	–	57,083	24,103	12,863	8,628	43,536	19,512	149,068	52,243
Unallocated corporate liabilities									79,949	52,962
Total liabilities									229,017	105,205
Capital expenditure	404,588	–	399	644	90	237	304	517	405,381	1,398
Amortisation	4,009	–	–	–	–	–	–	–	4,009	–
Depreciation	11,793	–	4,426	4,537	997	1,677	3,375	3,650	20,591	9,864
Impairment loss of goodwill	–	–	–	(3,008)	–	(1,111)	–	(2,419)	–	(6,538)
Impairment loss of obsolete inventories	–	–	(1,690)	–	(381)	–	(1,289)	–	(3,360)	–
Impairment loss of bad and doubtful debts	–	–	(276)	(4,036)	(62)	(1,492)	(210)	(3,246)	(548)	(8,774)
Write off of inventories	–	–	(325)	(3,921)	(73)	(1,449)	(248)	(3,156)	(646)	(8,526)
Write off of bad debts	–	–	(144)	(5,849)	(33)	(2,162)	(110)	(4,705)	(287)	(12,716)

12. SEGMENT REPORTING *(Continued)*

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

The Group's operations are located in PRC and Hong Kong. The following table provides an analysis of the Group's geographical segment information:

For the year ended 31 March 2007

	Revenue HK$'000	Total assets HK$'000	Capital expenditure HK$'000
Hong Kong	78,343	873,600	877
PRC	260,798	425,847	404,504
Other countries	1,753	–	–
	340,894	1,299,447	405,381

For the year ended 31 March 2006

	Revenue HK$'000	Total assets HK$'000	Capital expenditure HK$'000
Hong Kong	87,984	43,845	132
PRC	6,516	94,964	1,266
Other countries	449	–	–
	94,949	138,809	1,398

13. DIVIDENDS

	2007 HK$'000	2006 HK$'000
Final, proposed – HK1.1 cents per ordinary share (2006: Nil)	11,044	–

At the forthcoming annual general meeting of the Company, the directors will propose a final cash dividend of HK1.1 cents per share. The proposal is subject to the approval by the shareholders of the Company and accordingly has not been recognised as a liability at the balance sheet date, but will be reflected as an appropriation of retained profits for the year ended 31 March 2008.

13. DIVIDENDS *(Continued)*

In addition, the directors propose to make a bonus issue of six new shares of HK$0.10 each, credited as fully paid, for every one existing share held on the register of members on 6 August 2007. Further details of the bonus issue will be contained in a circular expect to be despatched by the Company to its shareholders together with the annual report of the Company for the year ended 31 March 2007.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold building HK$'000	Plant and machinery HK$'000	Furniture, fixtures, and equipment HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
Cost or valuation							
At 1 April 2005	–	94,664	8,342	18,885	1,687	–	123,578
Additions	–	885	513	–	–	–	1,398
Disposal	–	(11,780)	–	–	–	–	(11,780)
Disposal of a subsidiary	–	(3,462)	(161)	(142)	(192)	–	(3,957)
At 31 March 2006 and 1 April 2006	–	80,307	8,694	18,743	1,495	–	109,239
Additions	–	78,301	4,766	17,246	2,685	448	103,446
Exchange difference	206	3,740	21	179	5	–	4,151
Deconsolidation of a subsidiary	–	(1,148)	(364)	–	(499)	–	(2,011)
Disposal	–	(174)	–	–	–	–	(174)
Acquisition of subsidiaries	20,341	144,524	1,821	17,783	536	–	185,005
At 31 March 2007	20,547	305,550	14,938	53,951	4,222	448	399,656
Accumulated depreciation							
At 1 April 2005	–	27,237	5,544	9,140	818	–	42,739
Charge for the year	–	6,071	826	2,762	205	–	9,864
Write back on disposal	–	(6,701)	–	–	–	–	(6,701)
Eliminated on disposal of a subsidiary	–	(439)	(25)	(59)	(22)	–	(545)
At 31 March 2006 and 1 April 2006	–	26,168	6,345	11,843	1,001	–	45,357
Charge for the year	229	15,272	1,520	3,123	447	–	20,591
Exchange difference	3	102	9	4	2	–	120
Eliminated on deconsolidation of a subsidiary	–	(324)	(197)	–	(412)	–	(933)
Write back on disposal	–	(28)	–	–	–	–	(28)
At 31 March 2007	232	41,190	7,677	14,970	1,038	–	65,107
Net book value							
At 31 March 2007	20,315	264,360	7,261	38,981	3,184	448	334,549
At 31 March 2006	–	54,139	2,349	6,900	494	–	63,882

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The analysis of the cost or valuation of the above assets at 31 March 2007 and 2006 are as follows:

	Leasehold building HK$'000	Plant and machinery HK$'000	Furniture, fixtures, and equipment HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
At 31 March 2007							
At cost	20,547	264,115	14,938	53,951	4,222	448	358,221
At valuation *(note (a))*	–	41,435	–	–	–	–	41,435
	20,547	305,550	14,938	53,951	4,222	448	399,656
At 31 March 2006							
At cost	–	38,962	8,694	18,743	1,495	–	67,894
At valuation *(note (a))*	–	41,345	–	–	–	–	41,345
	–	80,307	8,694	18,743	1,495	–	109,239

Notes:

a) In previous years, the revaluation of plant and machinery was performed by independent valuers once every three years and undertaken by the directors annually.

The directors of the Company have undertaken a review on the carrying value of plant and machinery at 31 March 2007 and are of the opinion that the valuation is not materially different from the above carrying amount.

b) The carrying amount of revalued plant and machinery held by the Group would have been approximately HK$17,361,000 (2006: HK$18,181,000) had they been stated at cost less accumulated depreciation and impairment losses.

c) At 31 March 2007, the net book value of plant and machinery pledged for the Group's facilities was approximately HK$47,850,000 (2006: HK$34,115,000).

d) The net book value of motor vehicles of approximately HK$3,106,000 (2006: HK$494,000) included an amount of approximately HK$444,000 (2006: HK$347,000) in respect of assets held under finance leases.

15. LEASEHOLD LAND AND LAND USE RIGHTS FOR OWN USE

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value is analysed as follows:

	2007 HK$'000	2006 HK$'000
Outside Hong Kong, held on:		
Leases of 20 years	15,481	–
Analysed for reporting purposes as:		
Current assets	784	–
Non-current assets	14,697	–
	15,481	–

16. GOODWILL

	The Group HK$'000
Cost	
At 1 April 2005	13,250
Opening balance adjusted to eliminate accumulated amortisation	(6,617)
At 31 March 2006 and 1 April 2006	6,633
Acquisition of subsidiaries *(note 37a & b)*	557,541
At 31 March 2007	564,174
Accumulated amortisation	
At 1 April 2005	6,617
Eliminated against cost at 1 April 2005	(6,617)
At 31 March 2006, 1 April 2006 and 31 March 2007	–
Accumulated impairment loss	
At 1 April 2005	95
Impairment loss for the year	6,538
At 31 March 2006 and 1 April 2006	6,633
Impairment loss for the year	–
At 31 March 2007	6,633
Carrying amount	
At 31 March 2007	557,541
At 31 March 2006	–

16. GOODWILL *(Continued)*

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to country of operation and business segment as follows:

	2007 HK$'000	2006 HK$'000
Pharmaceutical products – the PRC	557,541	–

Pharmaceutical products – the PRC

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	2007 %	2006 %
Gross margin	67-90	–
Growth rate	85	–
Discount rate	35-52	–

Management determined the budgeted gross margin based on past performance and its expectation for market development. The weighted average growth rates used are consistent with the forecast included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

As the promotional products sector has slowed down and there was no indication of significant improvement in the foreseeing future, the directors consider that a full provision on impairment of the carrying amount of goodwill of approximately HK$6,538,000 has been provided and fully charged to the income statement for the year ended 31 March 2006.

17. INTANGIBLE ASSETS

Patent

	The Group HK$'000
Cost	
At 1 April 2005, 31 March 2006 and 1 April 2006	–
Acquisition of a subsidiary	116,930
Exchange difference	1,181
At 31 March 2007	118,111
Accumulated amortisation	
At 1 April 2005, 31 March 2006 and 1 April 2006	–
Charge for the year	3,815
Exchange difference	39
At 31 March 2007	3,854
Carrying amount	
At 31 March 2007	114,257
At 31 March 2006	–

The above intangible assets have definite useful lives and are amortised on a straight line basis over their remaining estimated useful life of ten years.

The amortisation charge for the year is included in "general and administrative expense" in the consolidated income statement.

The patent is related to several pharmaceutical products and the exclusive right for the commercialisation of the pharmaceutical products which was owned by 北京博康健基因科技有限公司, a subsidiary acquired by the Group during the year. The patent was granted by the State Food and Drug Administration ("SFDA") of the PRC.

The directors consider that no impairment was necessary for the year. The valuations were carried out by an independent firm of surveyors, AA Property Services Limited.

18. INVESTMENTS IN SUBSIDIARIES

	The Company 2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	71,870	71,870
Less: Impairment loss *(note (c))*	(63,850)	–
	8,020	71,870
Amounts due from subsidiaries	1,104,937	27,225
Less: Impairment loss *(note (d))*	(5,213)	–
	1,099,724	27,225

a) Amounts due from subsidiaries are unsecured and interest-free and repayable on demand.

b) The details of the subsidiaries at 31 March 2007 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued and paid up share capital	Interest held
Lelion Holdings Limited	British Virgin Islands	Investment Holding/ Hong Kong	2 Ordinary shares of US$1 each	100%#
Joint Peace Limited	British Virgin Islands	Dormant/Hong Kong	2 Ordinary shares of US$1 each	100%
Uni-Bio Management Limited	Hong Kong	Dormant/Hong Kong	1 Ordinary share of HK$1 each	100%
Figures Up Trading Limited	British Virgin Islands	Investment holding/ Hong Kong	100 Ordinary shares of US$1 each	100%
Nan Hoo Properties Limited	British Virgin Islands	Investment holding/ Hong Kong	50,000 Ordinary shares of US$1 each	100%

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued and paid up share capital	Interest held
東莞太力生物工程有限公司 (Formerly known as "東莞太力環保科技有限公司")	PRC	Research and development, manufacture and sales of medical and biological products/PRC	Contributed capital of HK$30,000,000	100%
東莞市博康健醫藥科技有限公司	PRC	Trading of medical and biological products/PRC	Contributed capital of Renminbi ("RMB")1,000,000	100%
北京博康健基因科技有限公司	PRC	Manufacture and sales of medical and biological products/PRC	Contributed capital of RMB45,000,000	100%
New Master Group Limited	British Virgin Islands	Investment holding/ Hong Kong	200 Ordinary shares of US$1 each	100%#
Sun Hip Fung (JF) Printing Products Company Limited	Hong Kong	Trading of paper products/ Hong Kong	2 Ordinary shares of HK$1 each and 20,000 Non-voting deferred shares of HK$1 each	100%
New Spring Group Company Limited	Hong Kong	Manufacturing and trading of gift and toy boxes and other paper products/Hong Kong and PRC	2 Ordinary shares of HK$1 each and 10,000 Non-voting deferred shares of HK$1 each	100%
Today Graphic Company Limited	Hong Kong	Dormant/Hong Kong	2 Ordinary shares of HK$1 each and 200,000 Non-voting deferred shares of HK$1 each	100%
Today Advertising Products Company Limited	Hong Kong	Investment holding/ Hong Kong	2 Ordinary shares of HK$1 each and 200,000 Non–voting deferred shares of HK$1 each	100%

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued and paid up share capital	Interest held
New Richest Holdings Limited	Hong Kong	Investment holding/ Hong Kong	10,000 Ordinary shares of HK$1 each	63%
Pronto Print Limited	Hong Kong	Provision of printing and color separation services and trading of lenticular plastic products/Hong Kong	50,000 Ordinary shares of HK$10 each	99.2%
Anson Printing Group Limited	Hong Kong	Provision of printing and color separation services/ Hong Kong	10,000 Ordinary shares of HK$1 each	51%
Visual Products Limited	Hong Kong	Dormant/Hong Kong	10,000 Ordinary shares of HK$1 each	100%
Great Tech Trading Limited	Hong Kong	Dormant/Hong Kong	10,000 Ordinary shares of HK$1 each	100%
New Pearl Hot Stamping & Packaging Limited	Hong Kong	Provision of hot stamping and packaging services/ Hong Kong	10,000 Ordinary shares of HK$1 each	100%

\# Shares held directly by the Company

c) Impairment loss of approximately HK$63,850,000 is recognised for the year because the subsidiary's net asset value is only approximately HK$8,020,000 as at 31 March 2007 and there is no indication of significant improvement in the foreseeing future.

d) Impairment loss of approximately HK$5,213,000 is recognised for the year because the subsidiary has a net liability of approximately HK$5,428,000 as at 31 March 2007 and there is no indication of significant improvement in the foreseeing future.

19. AVAILABLE-FOR-SALE SECURITIES

	The Group	
	2007	2006
	HK$'000	HK$'000
Unlisted equity securities, at cost	**3,000**	–
Less: Impairment loss	**(3,000)**	–
	–	–

a) Carrying amount of available-for-sale securities as at 31 March 2007 is analysed as follows:

At 1 April 2006	Impairment on 1 April 2006	At 31 March 2007
HK$'000	HK$'000	HK$'000
3,000	(3,000)	–
3,000	(3,000)	–

During the year, the management of the Group reviewed the investment in available-for-sale securities to determine there was objective evidence of impairment. Based on the reason stated in the note 3(b)(i) and the net liabilities of 力新時 as at 1 April 2006, the directors considered that full impairment was made on the available-for-sale securities.

b) 力新時 was a former subsidiary of the Group in which the Group held equity interest of 100%.

The directors considered that the Group lost its control over 力新時 since 1 April 2006. 力新時 was also not regarded as an associate of the Group because the Group had no significant influence over its operating and financing activities. Accordingly, 力新時 is accounted for as available-for-sale securities.

As 力新時 had been consolidated in the financial statements of the Group prior to the year ended 31 March 2007, the deconsolidation of 力新時 results in a gain of approximately HK$10,147,000 and the initial measurement of the available-for-sale securities was at nil.

20. INVENTORIES

	The Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	8,711	7,687
Work in progress	5,808	7,604
Finished goods	4,340	2,441
	18,859	17,732
Less: Provision for impairment of inventories	(3,507)	–
	15,352	17,732

The Group has written off of inventories approximately HK$646,000 (2006: HK$8,526,000) during the year.

21. TRADE RECEIVABLES

	The Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables	59,737	16,633

At 31 March 2007, trade receivables of the Group amounting to approximately HK$9,322,000 (2006: HK$8,774,000) were determined to be impaired and full provision had been made. These receivables were due from companies with financial difficulties. During the year, long outstanding bad debts amounting to approximately HK$287,000 (2006: HK$12,716,000) were written off.

21. TRADE RECEIVABLES *(Continued)*

Customers are generally granted with credit terms of 30 to 90 days (2006: 30 to 90 days). Longer payment terms are granted to those customers which have good payment history and long-term business relationship with the Group. All of the trade receivables are expected to be recovered within one year. The ageing analysis of the trade receivables is as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Within 30 days	**47,720**	11,977
31 – 60 days	**1,629**	2,889
61 – 90 days	**2,935**	944
Over 90 days	**16,775**	9,597
	69,059	25,407
Less: Provision for impairment of receivables	**(9,322)**	(8,774)
	59,737	16,633

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the Group to which they relate:

	As at 31 March	
	2007	2006
	'000	'000
RMB	**40,897**	–

At 31 March 2007, trade receivables pledged for the Group's facilities were approximately HK$25,184,000 (2006: HK$20,652,000).

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits for purchases of technical know-how *(note a)*	**42,151**	–	**–**	–
Deposits and prepayments for purchases of plant and machinery *(note b)*	**10,508**	–	**–**	–
Amounts due from a deconsolidated subsidiary *(note c)*	**33,394**	–	**–**	–
Tax indemnity from an ex-director *(note d)*	**6,676**	–	**–**	–
Other receivables	**50,190**	24,394	**27**	104
	142,919	24,394	**27**	104

a) At 31 March 2007, the Group paid a total sum of approximately HK$42,151,000 (2006: Nil) for purchases of technical know-how of several pharmaceutical products and the exclusive right for commercialisation of the pharmaceutical products. The payment for each pharmaceutical products will be capitalised as intangible assets upon obtaining the patent granted by the SFDA.

Capital commitments of the Group in respect of the remaining unpaid balances of approximately HK$9,222,000 (2006: Nil) for these purchases are disclosed in note 35(a) to the financial statements.

b) At 31 March 2007, the Group paid a total sum of approximately HK$10,508,000 (2006: Nil) as deposits and prepayment for the purchases of certain plant and machinery for the pharmaceutical operations. The payment will be capitalised as plant and machinery upon delivery of the plant and machinery to the Group.

Capital commitments of the Group in respect of the remaining unpaid balances of approximately HK$2,742,000 (2006: Nil) for these purchases are disclosed in note 35(a) to the financial statements.

c) As disclosed in note 3(b), 力新時was deconsolidated from the financial statements since controls over it have been lost. At 31 March 2007, 力新時owed to the Group with a total sum of approximately HK$33,394,000 (2006: Nil).

On 26 June 2007, an ex-director, Mr. Ng Man Chan has irrevocably and unconditionally undertaken to repay the indebtedness in full when they fall due.

d) As disclosed in note 41, Mr. Ng Man Chan has agreed to indemnify total tax expenses of HK$6,676,000 comprising of under-provision of tax liabilities of HK$3,476,000 and tax penalty of HK$3,200,000 charged by Inland Revenue Department (the "IRD").

23. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000
Cash at bank and in hand	42,868	1,888	2,838	313
Cash and cash equivalents in the balance sheet	42,868	1,888	2,838	313
Bank overdrafts, secured	(8,951)	(8,360)		
Cash and cash equivalents in the consolidated cash flow statement	33,917	(6,472)		

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2007	2006	2007	2006
	'000	'000	'000	'000
RMB	38,473	37	–	–

24. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY

Amounts due to ultimate holding company is unsecured, interest-free and repayable on demand.

25. AMOUNTS DUE TO DIRECTORS

Amounts due to directors are unsecured, interest-free and repayable on demand.

26. TRADE PAYABLES

	The Group	
	2007 HK$'000	2006 HK$'000
Trade payables	30,380	17,604

At 31 March 2007, all the trade payables are expected to be settled within one year and the ageing analysis of the trade payables is as follows:

	The Group	
	2007 HK$'000	2006 HK$'000
Within 30 days	16,842	4,030
31 – 60 days	3,254	3,292
61 – 90 days	1,813	1,219
Over 90 days	8,471	9,063
	30,380	17,604

Included in trade payables are the following amounts denominated in a currency other than the functional currency of the Group to which they relate:

	As at 31 March	
	2007 '000	2006 '000
RMB	16,997	2,789

27. LONG-TERM LOANS

	The Group	
	2007	2006
	HK$'000	HK$'000
a) Bank and other loans		
Bank loans repayable:		
Within 1 year or on demand	6,645	4,700
After 1 year but within 2 years	3,950	37,637
	10,595	42,337
Other loans repayable:		
Within 1 year or on demand	6,000	9,000
After 1 year but within 2 years	33,000	–
	39,000	9,000
	49,595	51,337
Less: Amount due within 1 year shown under current liabilities	(12,645)	(13,700)
	36,950	37,637
Secured	46,595	42,337
Unsecured	3,000	9,000
	49,595	51,337

Bank loans are denominated in HK$ and bear interest at floating interest rates ranging from 6.9% to 8.2% per annum.

Other loans are denominated in HK$, and bear interest at fixed interest rates ranging from 10% to 15 % per annum.

The directors consider that the carrying amounts of long-term loans approximate to their fair values.

27. LONG-TERM LOANS *(Continued)*

b) Obligations under finance leases

At 31 March 2007, the Group had obligations under finance leases repayable as follows:

	The Group			
	2007		2006	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	161	178	100	111
After 1 year but within 2 years	170	178	209	233
After 2 years but within 5 years	32	32	–	–
	202	210	209	233
	363	388	309	344
Less: Total future interest expenses		(25)		(35)
Present value of lease obligations		363		309

28. CONVERTIBLE BONDS

In June 2006, in order to finance the acquisition of Figures Up Trading Limited referred to in note 37(a), the Group entered into a subscription agreement with ARL, the major shareholder of the Group to issue a 3-year zero coupon convertible bonds with represents an aggregate face value of HK$114 million with maturity date on 13 June 2009 (the "Convertible Bonds").

The Convertible Bonds, if fully subscribed for and issued, are convertible at the options of the bondholders into a total of 120 million new ordinary shares of the Company at the conversion price of HK$0.95 per share.

The Convertible Bonds are classed into 2 tranches, "Tranche 1 Bonds" and "Tranche 2 Bonds" with face value of HK$57 million each. Tranche 1 Bonds entitle the bondholders the right during the period from 13 December 2006 up to and including the maturity date of the Convertible Bonds, to convert into ordinary shares of the Company at a conversion price of HK$0.95 per share. Tranche 2 Bonds entitle the bondholders the right during the period from 13 June 2007 up to and including the maturity date of the Convertible Bonds, to convert into ordinary shares of the Company at a conversion price of HK$0.95 per share.

At the maturity date any bonds which remain outstanding shall be mandatorily redeemed at an amount equal to the principal amount of the bonds.

On 20 December 2006, ARL converted an aggregate face value of HK$25,175,000 of Tranche 1 Bonds into 26,500,000 new ordinary shares and on 5 January 2007 ARL converted an aggregate face value of HK$28,025,000 of Tranche 1 Bonds into 29,500,000 new ordinary shares.

On the 13 March 2007, ARL transferred the remaining Tranche 1 Bonds with an aggregate face value of HK$3,800,000 and Tranche 2 Bonds with an aggregate face value of HK$26,600,000 to Benway Limited, an independent third party. On the same day ARL transferred the remaining Tranche 2 Bonds with an aggregate face value of HK$30,400,000 to Alex Champion Limited, another independent third party.

The fair value of the liability component of the Convertible Bonds is determined by reference to the Hong Kong Exchange Fund Notes Yield. Interest expense on the Convertible Bonds is calculated using the effective interest method by applying the effective interest rate of 7.534% per annum on the liability component of the Convertible Bonds. The residual amount is recognised as the equity component and is included in the shareholders' equity.

28. CONVERTIBLE BONDS *(Continued)*

The net proceeds received from the issue of the Convertible Bonds have been split between the liability and equity components, as follows:

	The Group and the Company HK$'000
Nominal value of the Convertible Bonds	114,000
Equity component *(note 30)*	(22,320)
Liability component at the issuance date	91,680
Conversion of Convertible Bonds	(44,530)
Imputed interest expenses *(note 6(a))*	4,726
Liability component at 31 March 2007	51,876

29. SHARE CAPITAL

	The Group and the Company	
	Number of issued shares '000	HK$'000
Authorised:		
At 1 April 2005, 31 March 2006, 1 April 2006 and 31 March 2007, ordinary shares of HK$0.10 each	2,000,000	200,000
Issued and fully paid:		
At 1 April 2005, 31 March 2006 and 1 April 2006, ordinary shares of HK$0.10 each	180,000	18,000
At 31 March 2007, ordinary shares of HK$0.10 each	1,004,000	100,400

29. SHARE CAPITAL *(Continued)*

The movement of the Group's and the Company's share capital is as follows:

	Number of issued shares '000	HK$'000
At 1 April 2005, 31 March 2006 and 1 April 2006	180,000	18,000
Issue of shares by open offer *(note a)*	360,000	36,000
Issue of shares for the acquisition of subsidiaries *(note b)*	220,000	22,000
Issue of shares by share placement *(note c)*	108,000	10,800
Issue of shares for the acquisition of subsidiaries *(note d)*	80,000	8,000
Issue of shares upon conversion of convertible bonds on 20 December 2006 *(note e)*	26,500	2,650
Issue of shares upon conversion of convertible bonds on 5 January 2007 *(note e)*	29,500	2,950
At 31 March 2007, ordinary shares of HK0.10 each	1,004,000	100,400

Notes:

a) On 7 April 2006, the Company allotted and issued 360,000,000 ordinary shares of HK$0.10 each by way of an open offer at HK$0.50 per share for cash.

b) On 14 June 2006, the Company allotted and issued 220,000,000 ordinary shares of HK$0.10 each at the issued price of HK$0.90 per share to partly settle the consideration for acquisition of 100% equity interest in a subsidiary (note 37(a)).

c) On 14 August 2006, the Company allotted and issued 108,000,000 ordinary shares of HK$0.10 each by way of share placement at HK$2.50 per share for cash.

d) On 21 December 2006, the Company allotted and issued 80,000,000 ordinary shares of HK$0.10 each at the issue price of HK$2.80 per share to partly settle the consideration for the acquisition of 100% equity in a subsidiary (note 37(b)).

29. SHARE CAPITAL *(Continued)*

Notes: (Continued)

e) On 20 December 2006, the Company allotted and issued 26,500,000 ordinary shares of HK$0.10 each at a conversion price of HK$0.95 when ARL exercised its conversion right (note 28).

On 5 January 2007, the Company allotted and issued 29,500,000 ordinary shares of HK$0.10 each at a conversion price of HK$0.95 when ARL exercised its conversion right (note 28).

f) All new shares issued during the year ended 31 March 2007 rank pari passu with the existing shares in all respects.

30. RESERVES

The Group

	Attributable to equity shareholders of the Company										
	Share premium HK$'000 (note a)	Capital reserves HK$'000	Statutory reserve HK$'000 (note b)	Share-based payments reserve HK$'000 (note 31)	Equity component of convertible bonds reserve HK$'000 (note 28)	Revaluation reserve HK$'000 (note c)	Exchange reserve HK$'000 (note d)	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2005	12,667	(243)	534	–	–	1,330	20	42,447	56,755	975	57,730
Recognition of profit from minority interests	–	–	–	–	–	–	–	1,081	1,081	(795)	286
Disposals of a subsidiary	–	–	–	–	–	–	–	(886)	(886)	634	(252)
Loss attributable to shareholders	–	–	–	–	–	–	–	(42,446)	(42,446)	286	(42,160)
At 31 March 2006 and 1 April 2006	12,667	(243)	534	–	–	1,330	20	196	14,504	1,100	15,604
Issue of shares – open offer	144,000	–	–	–	–	–	–	–	144,000	–	144,000
Issue of shares – acquisition of subsidiaries	392,000	–	–	–	–	–	–	–	392,000	–	392,000
Issue of shares – share placement	259,200	–	–	–	–	–	–	–	259,200	–	259,200
Recognition of equity component of convertible bonds	–	–	–	–	22,320	–	–	–	22,320	–	22,320
Equity settled share-based payments transactions	–	–	–	32,540	–	–	–	–	32,540	–	32,540
Expenses incurred on share issue	(3,220)	–	–	–	–	–	–	–	(3,220)	–	(3,220)
Issue of shares upon conversion of convertible bonds	49,346	–	–	–	(10,416)	–	–	–	38,930	–	38,930
Transfer	–	–	6,289	–	–	–	–	(6,289)	–	–	–
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	8,894	–	8,894	–	8,894
Released upon deconsolidation of a subsidiary	–	–	(534)	–	–	–	(20)	–	(554)	–	(554)
Profit attributable to shareholders	–	–	–	–	–	–	–	60,322	60,322	(6)	60,316
At 31 March 2007	853,993	(243)	6,289	32,540	11,904	1,330	8,894	54,229	968,936	1,094	970,030

30. RESERVES *(Continued)*

The Company

	Share premium HK$'000 *(note a)*	Share–based payments reserve HK$'000 *(note 31)*	Equity component of convertible bonds reserve HK$'000 *(note 28)*	Accumulated losses HK$'000	Total HK$'000
At 1 April 2005	84,270	–	–	(1,901)	82,369
Loss attributable to shareholders	–	–	–	(4,806)	(4,806)
At 31 March 2006 and 1 April 2006	84,270	–	–	(6,707)	77,563
Issue of shares – open offer	144,000	–	–	–	144,000
Issue of shares – acquisitions of subsidiaries	392,000	–	–	–	392,000
Issue of shares – share placement	259,200	–	–	–	259,200
Recognition of equity component of convertible bonds	–	–	22,320	–	22,320
Equity settled share-based payments transcations	–	32,540	–	–	32,540
Expenses incurred on share issue	(3,220)	–	–	–	(3,220)
Issue of shares upon conversion of convertible bonds	49,346	–	(10,416)	–	38,930
Loss attributable to shareholders	–	–	–	(8,136)	(8,136)
At 31 March 2007	925,596	32,540	11,904	(14,843)	955,197

30. RESERVES *(Continued)*

Notes:

a) Share premium

The application of the share premium is generated by Section 486 of the Hong Kong Companies Ordinance.

b) Statutory reserve

In accordance with the Company Law of the PRC, companies are required to allocate 10% of their profit after tax to the statutory reserve (the "SR") until such reserve reaches 50% of the registered capital of the companies, respectively. Subject to certain restrictions set out in the Company Law of the PRC, part of the SR may be converted to increase paid-in capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

c) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for plant and machinery in note 3(f).

d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from the hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(t).

e) Distributable reserves

Under the Companies Law (revised) of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital accounts.

At 31 March 2007, the aggregate amount of the Company's reserve available for distribution to shareholders was approximately HK$910,753,000 (2006: HK$77,563,000) computing in accordance with the Companies Law (Revised) of the Cayman Islands and the Company's articles of association. This includes the Company's share premium of approximately HK$925,596,000 (2006: HK$84,270,000) less accumulated losses of approximately HK$14,843,000 (2006: HK$6,707,000), which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

31. SHARE OPTIONS

Under the share option scheme (the "2001 Scheme") approved by the shareholders on 22 October 2001, the directors of the Company may, as its discretion, invite directors and employees of the Group to take up options to subscribe for shares in the Company representing up to 30 per cent of the issued share capital of the Company from time to time.

The subscription price for the shares in relation to options to be granted under the 2001 Scheme shall be determined by the board of directors and shall be at least the highest of (i) the nominal value of shares of the Company; (ii) the closing price of shares on the date of grant (the "Offer Date"); and (iii) the average closing price of the shares for the five business days immediately preceding the Offer Date. The options are exercisable within 10 years from the Offer Date.

Pursuant to ordinary resolutions passed by the shareholders of the Company on 22 September 2006, the Company terminated the 2001 Scheme and adopted a new share option scheme (the "2006 Scheme").

Under the 2006 Scheme, which is valid for a period of ten years, the board of directors of the Company may, at its discretion grant options to subscribe for shares in the Company to eligible participants ("Eligible Participants") who contribute to the long-term growth and profitability of the Company. Eligible Participants include (i) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) (the "Eligible Employee") of the Company, any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest; (ii) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any other group or class of participants who has contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group. The subscription price for the Company's shares shall be a price at least equal to the highest of the nominal value of the Company's shares, the average of the closing prices of the Company's shares quoted on the Stock Exchange on the 5 trading days immediately preceding the date of an offer of the grant of the options and the closing price of the Company's shares quoted on the Stock Exchange on the date of an offer of the grant of the options. The options must be taken up within 28 days from the date of grant upon payment of HK$1 and are exercisable over a period to be determined and notified by the directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than 10 years from the date of adoption of the 2006 Scheme.

31. SHARE OPTIONS *(Continued)*

The total number of the Company's shares which may be issued upon exercise of all options to be granted under the 2006 Scheme and any other schemes of the Group (excluding options lapsed in accordance with the terms of the 2006 Scheme and any other schemes of the Group) must not in aggregate exceed 10% of the Company's shares in issue as at the date of adoption of the 2006 Scheme. The limit on the number of the Company's shares which may be issued upon exercise of all outstanding option granted any yet to be exercised under the 2006 Scheme and any other schemes of the Group must not exceed 30% of the Company's shares in issue from time to time. The total number of the Company's shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) under the 2006 Scheme or other schemes of the Group in any 12-month period up to the date of grant must not exceed 1% of the Company's shares in issue at the date of grant unless approved by the Company's shareholders in general meeting.

The directors consider the 2006 Scheme, with its broadened basis of participation, will enable the Group to reward the employees, directors and other selected participants for their contributions to the Group and will also assist the Group in its recruitment and retention of high caliber professionals, executives and employees who are instrumental to the growth and stability of the Group. The share options are vested immediately on the date of grant.

Total consideration received during the year from eligible participants for taking up the options granted during the year is HK$1 (2006: Nil). The consideration is required to be settled within 21 days from the issue of the share option offer.

Details of the share option movements during the year ended 31 March 2007 under the 2001 Scheme are as follows:

	Number of share option								
	Outstanding at 1 April 2005, 31 March 2006 and 1 April 2006 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Outstanding at 31 March 2007 '000	Exercise price HK$	Date of grant	Exercise Period	Remaining Contractual life
Employees	–	18,000	–	–	18,000	0.738	6 April 2006	6 April 2006 to 21 October 2011	4.56 years
Employees	–	54,000	–	–	54,000	1.56	19 June 2006	19 June 2006 to 21 October 2011	4.56 years
	–	72,000	–	–	72,000				
Number of options exercisable at 31 March 2007					72,000				

31. SHARE OPTIONS *(Continued)*

No option has been granted under the 2006 scheme during the year ended 31 March 2007.

Fair value of share options

The fair value of services received in return for share options granted during the year ended 31 March 2007 under the 2001 Scheme are measured by reference to the fair value of share options granted under the 2001 Scheme. The estimate of the fair value of the services received is measured based on Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used for the share options granted on 6 April 2006 and 19 June 2006 respectively (the "6 April 2006 Grant" and "19 June 2006 Grant", respectively).

	6 April 2006 Grant	19 June 2006 Grant
Number of share issuable under options granted	18,000,000	54,000,000
Option value	3,509,000	29,031,000
Expected dividend yield (%)	0.0	0.0
Expected volatility (%)	110.27	85.56
Risk-free interest (%)	4.17	4.637
Expected life of options (years)	1	3
Subscription price (HK$)	0.738	1.56
Share price at date of grant (HK$)	0.73	1.50

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

32. DEFERRED TAXATION

The major components of the deferred tax liabilities/(assets) provided for at the balance sheet date and for the year then ended are as follows:

Deferred tax liabilities

	The Group					
	Accelerated tax depreciation		Tax losses		Total	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
At beginning of year	9,050	11,263	(3,124)	(1,302)	5,926	9,961
Charged/(credited) to consolidated income statement	(284)	(2,213)	3,124	(1,822)	2,840	(4,035)
At end of year	8,766	9,050	–	(3,124)	8,766	5,926

Deferred tax assets

	The Group					
	Accelerated tax depreciation		Tax losses		Total	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
At beginning of year	–	–	(139)	(139)	(139)	(139)
Charged to consolidated income statement	(10)	–	(1,725)	–	(1,735)	–
At end of year	(10)	–	(1,864)	(139)	(1,874)	(139)

33. PLEDGE OF ASSETS

At 31 March 2007, the following assets of the Group have been pledged to secure borrowing facilities of approximately HK$58,508,000 (2006: HK$53,135,000):

	The Group	
	2007	2006
	HK$'000	HK$'000
Plant and machinery	47,850	34,115
Trade receivables	25,184	20,652
Pledged bank deposits	13,550	13,040
	86,584	67,807

34. CONTINGENT LIABILITIES

	The Group	
	2007	2006
	HK$'000	HK$'000
Guarantees for bank loans and overdrafts of subsidiaries	–	23,135
Guarantees for assets of subsidiaries under finance lease	–	308
	–	23,443

35. COMMITMENTS

a) Capital commitments

At the balance sheet date, the Group had capital commitments contracted but not provided for in the financial statements as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Contracted for:		
– Purchases of technical know-how	9,222	–
– Purchases of plant and machinery	2,742	–
	11,964	–

35. COMMITMENTS *(Continued)*

b) Operating lease commitments

At the balance sheet date, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of interest in leasehold land and buildings which expires as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Within 1 year	1,308	935
After 1 year but within 5 years	220	189
	1,528	1,124

36. RELATED PARTY TRANSACTIONS

a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2007	2006
	HK$'000	HK$'000
Short-term employee benefits	1,136	183
Post-employment benefits	43	9
	1,179	192

Total remuneration is included in "staff costs" (see note 6(b)).

36. RELATED PARTY TRANSACTIONS *(Continued)*

b) Save as disclosed in other notes to the financial statements, other significant related party transactions, which were carried out in the normal course of the Group's business and were charged at prices mutually agreed, are as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Sales to		
– New Spring Label & Packaging Limited *(note i)*	**3,682**	–
Rental and service income		
– New Spring Label & Packaging Limited *(note ii)*	**219**	–
Management fee income		
– New Spring Label & Packaging Limited *(note iii)*	**219**	–
Accounting income		
– New Spring Label & Packaging Limited *(note iv)*	**40**	–
Rental paid		
– Beaumax Company Limited *(note v)*	**–**	228
– Beautiking Investment Limited *(note v)*	**–**	384
– Glory Motion Company Limited *(note v)*	**–**	276

i) During the year ended 31 March 2007, the Group sold products to a related company – New Spring Label & Packaging Limited, with a common director – Mr. Tong Kit Shing who had resigned on 9 November 2006 in New Spring Label & Packaging Limited for approximately HK$3,682,000. The sales were made according to the published prices, terms and conditions offered to the major customers of the Group.

ii) During the year ended 31 March 2007, the Group received rental and service income from the related company for the office premises used.

iii) During the year ended 31 March 2007, the Group received management fee income from the related company for approximately HK$219,000. The fee was charged for the ongoing services in a factory located at PRC.

iv) During the year ended 31 March 2007, the Group received accounting income from the related company. It was charged at a monthly fixed charge.

v) During the year ended 31 March 2006, the Group paid rental expense to the related companies, with common directors Mr. Ng Man Chan and/or Ms. Li Mi Lai on or before 13 October 2005, for office premises used.

37. ACQUISITION OF SUBSIDIARIES

a) On 14 June 2006, the Group acquired 100% of the registered share capital of Figures Up Trading Limited for a consideration of approximately HK$473,739,000. This acquisition had been accounted for by the purchase method of accounting and is analysed as follows:

	Acquiree's fair value recognised on acquisition HK$'000
Net assets acquired:	
Property, plant and equipment	75,323
Trade receivables	14,926
Other receivables, deposits and prepayments	41,443
Cash and cash equivalents	646
Trade and other payables	(4,552)
Accrued charges and other payables	(5,062)
Tax payable	(12,900)
	109,824
Goodwill	363,915
Consideration	473,739
Consideration is satisfied by:	
Cash	275,739
Consideration shares	198,000
	473,739
Net cash outflow arising from acquisition of a subsidiary:	
Cash consideration paid	(275,739)
Cash and bank balances acquired	646
	(275,093)

The above subsidiary acquired during the year contributed to the Group's revenue and profit before taxation of approximately HK$225,448,000 and HK$167,223,000 respectively from the date of acquisition to the balance sheet date.

37. ACQUISITION OF SUBSIDIARIES *(Continued)*

b) On 21 December 2006, the Group acquired 100% of the registered share capital of Nan Hoo Properties Limited for a consideration of approximately HK$457,107,000. This acquisition had been accounted for by the purchase method of accounting and is analysed as follows:

	Acquiree's fair value recognised on acquisition
	HK$'000
Net assets acquired:	
Intangible assets	116,930
Property, plant and equipment and construction-in-progress	109,682
Leasehold land and land use rights held for own used	15,520
Inventories	752
Less: Provision on impairment	(147)
	605
Trade receivables	134
Other receivables, deposits and prepayments	39,792
Cash and cash equivalents	577
Trade payables	(901)
Accrued charges and other payables	(18,858)
	263,481
Goodwill	193,626
Consideration	457,107
Consideration is satisfied by:	
Cash	233,107
Consideration shares	224,000
	457,107
Net cash outflow arising from acquisition of a subsidiary:	
Cash consideration paid	(233,107)
Cash and bank balances acquired	577
	(232,530)

The above subsidiary acquired during the year had no significant contribution to the Group's revenue and profit before taxation from the date of acquisition to the balance sheet date.

38. DECONSOLIDATION OF A SUBSIDIARY

During the year, the directors consider that the controls over 力新時, a subsidiary of the Group, had been lost on 1 April 2006. The results, assets and liabilities and cash flows of the subsidiary were deconsolidated from the financial statements of the Group as follows:

	HK$'000
Net assets/(liabilities) deconsolidated of:	
Property, plant and equipment	1,078
Inventories	5,442
Other receivables, deposits and prepayments	16,247
Amounts due from the Group	4,734
Cash and cash equivalents	37
Trade payables	(2,631)
Accrued charges and other payables	(802)
Amounts due to the Group	(33,697)
Tax payable	(1)
Net liabilities	(9,593)
Exchange translation reserve released upon deconsolidation	(20)
Statutory reserve released upon deconsolidation	(534)
Gain on deconsolidation of a subsidiary	10,147
Net outflow of cash and cash equivalents arising from deconsolidation of a subsidiary:	
Cash and bank balances of the subsidiary deconsolidated	(37)

39. DISPOSAL OF A SUBSIDIARY

For the year ended 31 March 2006, the Group disposed of its subsidiary, New Spring Label & Packaging Limited. The net assets of New Spring Label & Packaging Limited at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	3,412
Inventories	4,796
Trade and other receivables	619
Deposits and prepayments	876
Cash and bank balances	320
Trade payables	(1,000)
Other payables and accruals	(7,407)
Bank loan	(142)
Hire purchase creditor	(1,110)
	364
Minority interests	634
	998
Gain on disposal	1,359
Consideration	2,357
Consideration is satisfied by:	
Other receivables	2,357

40. MAJOR NON-CASH TRANSCATIONS

During the year, the Group had the following major non-cash transactions:

a) The consideration for the acquisition of 100% interest in Figures Up Trading Limited was partly satisfied by the issue of 220,000,000 ordinary shares of the Company at HK$0.90 per share, totalling HK$198,000,000 (2006: Nil).

b) The consideration for the acquisition of 100% interest in Nan Hoo Properties Limited was partly satisfied by the issue of 80,000,000 ordinary shares of the Company at HK$2.80 per share, totalling HK$224,000,000 (2006: Nil).

c) The Group entered into finance leases arrangement in respect of property, plant and equipment with a total capital value at the inception of the lease of approximately HK$175,000 (2006: Nil).

41. TAX DISPUTE

During the year ended 31 March 2006, there was a tax dispute between New Spring Group Company Limited ("NSGC"), a wholly owned subsidiary of the Company, and the IRD. Demand for additional profits tax for the year of assessment 1999/2000 amounting to HK$2,240,000 was issued by the IRD.

NSGC has appointed a tax representative who acts on their behalf to negotiate with the IRD for a proposed settlement arrangement on the tax dispute.

In respect of the tax dispute, Mr. Ng Man Chan has undertaken to indemnify NSGC and the Group against any claim by the IRD on all additional tax liabilities and penalties charged to the Company in respect of the years prior to the current financial year.

On 16 October 2006, the Group has agreed with the IRD for total tax expenses of HK$6,676,000 comprising of underprovision of tax expenses of HK$3,476,000 and tax penalty of HK$3,200,000.

The total tax expenses have been fully settled by the Group during the year. As at 29 June 2007, the amount has not been refunded by Mr. Ng Man Chan.

42. ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) **Estimated impairment of intangible assets and goodwill**

The Group performs annual tests on whether there has been impairment of intangible assets and goodwill in accordance with the accounting policy stated in note 3(i). The recoverable amounts of cash generating units are determined based on value in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

b) **Trade debtors**

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect our results of operations.

c) **Useful lives of property, plant and equipment**

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

42. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

d) Inventories

The Group performs regular review of the carrying amounts of inventories with to aged inventories analysis, expected future consumption and management judgment. Based on this review, write down of inventories will be made when the carrying amount of inventories decline below the estimated net realisable value. However, actual consumption may be different from estimation and profit or loss could be affected by differences in this estimation.

e) Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Group re-assesses the useful life of the intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

43. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to Group.

a) Foreign exchange risk

The Group operates mainly in both PRC and Hong Kong and majority of transactions are denominated in HK$ and RMB. Therefore, the Group is exposed to foreign exchange risk arising from these currency exposures.

RMB is not freely convertible currency. Future exchange rates of RMB could vary significant form the current or historical exchange rates as a result of controls that could be imposed by the government of PRC. The exchange rates may also be affected by economic development and political changes domestically and internationally, and supply and demand of RMB. The appreciation or devaluation of RMB against HK$ may have positive or negative impacts on the result of operations of the Group.

Some of trade receivables of the Group are denominated in RMB. The Group currently does not have a foreign exchange hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

43. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

b) *Credit risk*

The Group's credit risk is primarily attributable to trade or other receivables. The Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Group considers that the credit risk is significantly reduced.

c) *Liquidity risk*

The Group manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term.

d) *Fair values*

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2007 and 2006.

e) *Estimation of Fair values*

The following summarises the major methods and assumptions used in estimating the fair values of the financial instruments

Interest-bearing loans and borrowings and finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

f) *Sensitivity analysis*

In management interest rate and foreign currency risks that the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

At 31 March 2007, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before taxation by approximately HK$224,000 (2006: HK$58,000) so far as the effect on interest-bearing financial instruments is concerned.

44. POST BALANCE SHEET EVENTS

a) On 25 June 2007, the remaining balances of Convertible Bonds with principal amount totalling HK$60,800,000 were converted into new ordinary shares at a conversion price of HK$0.95 per share and as a result, 64,000,000 shares were issued and allotted.

b) As at 31 March 2007, a subsidiary of the Group which is engaged in printing business, was indebted to a third party creditor of approximately HK$6,777,000 in respect of a loan arrangement made out in 2005 and before the change in control of the Company on 25 August 2005. The third party creditor went into members' voluntary liquidation during the year. On 25 June 2007, the liquidator of the third party creditor demanded repayment of the indebtedness plus accrued interest up to 30 June 2007 and ancillary legal costs totalling approximately HK$7,569,000. If the amount will not be repaid within the statutory notice period, the liquidator of the third party creditor may serve to issue a Winding-Up Petition to wind up the subsidiary without further notice. The subsidiary is negotiating refinancing of the indebtedness. Full amount of the interest and costs demanded by the liquidator of the third party creditor have been provided for in the financial statements.

45. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

46. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 29 June 2007.