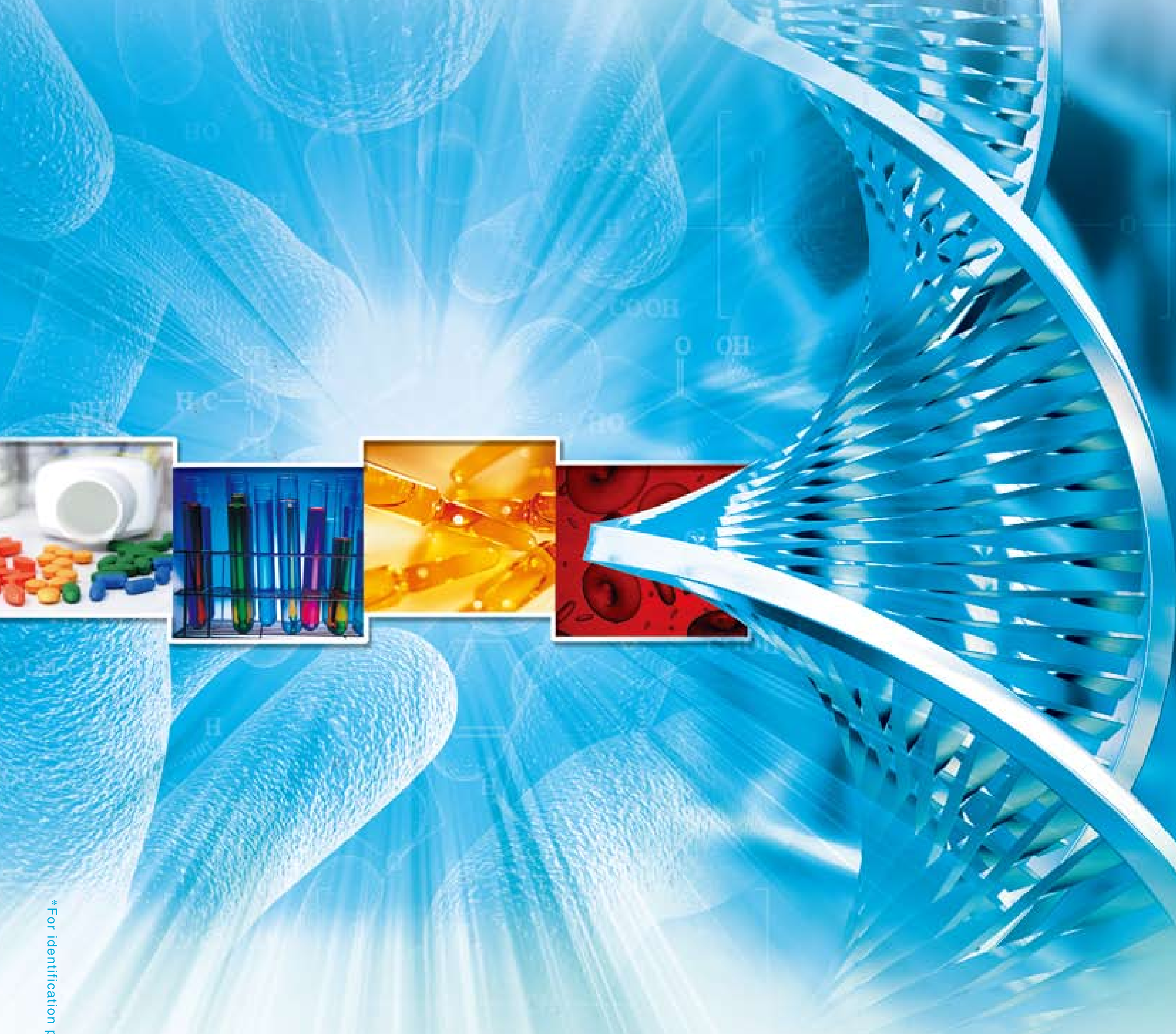
聯康生物科技集團有限公司*

Uni-Bio Science Group Limited

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



2009 | ANNUAL REPORT

*For identification purposes only

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The Annual Report is printed on environmentally friendly paper.

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 *(Chairman of the Audit Committee)*

REMUNERATION COMMITTEE

Mr. TONG Kit Shing

Mr. CHENG Wai Man

Mr. SO Yin Wai

Mr. ZHOU Yaoming
(Chairman of the Remuneration Committee)

Mr. LIN Jian

NOMINATION COMMITTEE

Mr. TONG Kit Shing

Mr. CHENG Wai Man

Mr. SO Yin Wai

Mr. ZHOU Yaoming

Mr. LIN Jian *(Chairman of the Nomination Committee)*

CHIEF EXECUTIVE OFFICER

Dr. Samuel ZIA

COMPANY SECRETARY

Mr. Goldman LEE, CPA

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Hutchins Drive

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KY1-1111

Cayman Islands

AUDITORS

Hopkins CPA Limited

Certified Public Accountants

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Grand Cayman, Cayman Islands

British West Indies

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Tricor Abacus Limited

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28 Queen's Road East

Wanchai, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Leung & Lau

13/F, Public Bank Centre

120 Des Voeux Road Central

Central, Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd, Hong Kong Branch

Fubon Bank (Hong Kong) Limited

STOCK CODE

0690

WEBSITE

www.uni-bioscience.com

CHAIRMAN' S STATEMENT

FINAL RESULTS

During the year under review, the Company (together with its subsidiaries, the "Group") recorded a consolidated turnover of HK$526,270,000 representing a decrease of 39.5% compared with HK$869,946,000 recorded in the last financial year. The gross profit was HK$325,275,000 representing a decrease of 39.5% as compared with HK$537,682,000 recorded in the last financial year. The Group recorded a net loss of approximately HK$508,323,000 for the year ended 31 March 2009 compared to a net profit of approximately HK$198,380,000 in last financial year.

BUSINESS REVIEW

During the year under review, the healthcare reform in the People's Republic of China (the "PRC") continues and the PRC healthcare industry continues to grow. However, the Group continued to face challenges of surging material and operating costs, and increasing competition. The economic conditions have recently been fluctuating significantly in many countries and regions, including the PRC, and the added risks and uncertainties may remain for prolonged periods. In order to tackle the prolonged turmoil noted in the financial market which has adversely affected, and is expected to continue to affect, the real economy, we have adopted a more prudent business and financial management policy to ensure that we maintain adequate working capital to finance our operations. The Group also decided to suspend the development of its chemical pharmaceutical products in pipeline and concentrate its resources in developing its pipeline of innovative biological pharmaceutical products which are more promising.

Distribution of pharmaceutical products

This division achieved a turnover of HK$245,183,000 with segment results of HK$41,383,000 for the year ended 31 March 2009. The turnover and segment results of corresponding period was HK$463,847,000 and HK$216,675,000 respectively. The decrease was mainly due to increased competition and the Group exercising tighter credit control over customers. Sales of rhEGF products distributed for Shenzhen Watsin Genetech Company Limited ("Shenzhen Watsin"), acquired in August 2007, was classified under "in-house biological pharmaceutical products" in the current financial year.

In-house biological pharmaceutical products

Upon the acquisition of Shenzhen Watsin, the sales of rhEGF products continued to grow and this division achieved a turnover of HK$223,842,000 and a segment results of HK$(162,219,000) for the year ended 31 March 2009. The turnover and segment results of last year were HK$157,277,000 and HK$37,591,000 respectively. The reported figure for segment results of in-house biological pharmaceutical products was affected by the increase in research and development expenditure from HK$37,144,000 last year to HK$227,303,000 in current year and the impairment losses totalling HK$23,129,000 in the current financial year.

In-house chemical pharmaceutical products

This division achieved a turnover of HK$57,245,000 with segment results of HK$(320,732,000) for the year ended 31 March 2009. The turnover and segment results were HK$248,822,000 and HK$110,354,000 respectively in last financial year. The decrease was mainly due to increase in competition and the Group's strategy to focus its marketing efforts on biological pharmaceutical products on sale and in pipeline which, the Group believes, are more promising. The reported figure for segment results of in-house chemical pharmaceutical products was affected by the increase in research and development expenditure from HK$18,255,000 last year to HK$43,589,000 in current year and the impairment losses totalling HK$301,667,000 in the current financial year.

BUSINESS REVIEW *(Continued)*

Research Platforms

The Group has developed several pharmaceutical R&D technology platforms, which include E.coli expression system, Pichia Yeast expression system, Mammalian cell expression system, E.coli constitutive secretion system, Gene therapy drug development system, Gene targeting system and Chemical medicines development system.

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 new drugs include Recombinant Exendin-4 (rExendin-4), Recombinant Human Erythropoietin-Fc, (rhEPO-Fc), Recombinant Thymopentin (rTP-5) which has been changed to cyclic Thymopentin (cTP-5). The Class II prescription new drugs include Recombinant Human Parathyroid Hormone (1-34) (rhPTH 1-34) and Recombinant Human Interleukin 11 (rhIL-11). Progress of the development has been encouraging during the year under review.

PROSPECTS

The Group has continuously strengthened its management team which has been committed to rationalizing and re-engineering its work flow and processes to reduce costs and increase efficiency. Moreover, the government of the PRC has recently announced an array of policies, including a loosening of credit restrictions and stimulation of domestic consumption to drive up the GDP growth. These new policies have helped to ease certain negative impact on our operations. In the long run, the Group 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. In May 2009, the Group raised approximately HK$144.9 million before expenses by way of an open offer which was over-subscribed by approximately 53.21% to fund the research and developments of the Group's pharmaceutical products. The response to the open offer has been encouraging and showed support and confidence to the management and direction of the Group.

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

27 July 2009

During the year under review, the Company (together with its subsidiaries, the "Group") recorded a consolidated turnover of HK$526,270,000 representing a decrease of 39.5% compared with HK$869,946,000 recorded in the last financial year. The gross profit was HK$325,275,000 representing a decrease of 39.5% as compared with HK$537,682,000 recorded in the last financial year. The Group recorded a net loss of HK$508,323,000 for the year ended 31 March 2009 compared to a net profit of HK$198,380,000 in last financial year.

Business Review and Prospect

During the year under review, the healthcare reform in the People's Republic of China (the "PRC") has continued and the PRC healthcare industry continues to grow. However, the Group continued to face challenges of surging material and operating costs, and increasing competition. The economic conditions have recently been fluctuating significantly in many countries and regions, including the PRC, and the added risks and uncertainties may remain for prolonged periods. In order to tackle the prolonged turmoil noted in the financial market which has adversely affected, and is expected to continue to affect, the real economy, we have adopted a more prudent business and financial management policy to ensure that we maintain adequate working capital to finance our operations. The Group also decided to suspend the development of its chemical pharmaceutical products in pipeline and concentrate its resources in developing its pipeline of innovative biological pharmaceutical products which are more promising.

Because of the foregoing, impairment loss on trade receivables of HK$20,486,000; impairment loss on goodwill of HK$193,626,000; impairment loss on other receivables, deposits and prepayments of HK$108,882,000; impairment loss on leasehold land and land use rights of HK$2,727,000; impairment loss on intangible assets of HK$2,177,000; impairment loss on property, plant and equipment of HK$16,895,000; and decrease in fair value of investment properties of HK$489,000 were recognized as a result of re-assessment of the Group's assets portfolio for the current financial year.

Despite these challenges, the Group has continuously strengthened its management team which has been committed to rationalizing and re-engineering its work flow and processes to reduce costs and increase efficiency. Moreover, the government of the PRC has recently announced an array of policies, including a loosening of credit restrictions and stimulation of domestic consumption to drive up the GDP growth. These new policies have helped to release certain negative impact on our operations. In the long run, the Group 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. In May 2009, the Group raised approximately HK$144.9 million before expenses by way of an open offer which was over-subscribed by approximately 53.21% to fund the research and developments of the Group's pharmaceutical products. The response to the open offer has been encouraging and showed support and confidence to the management and direction of the Group.

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Research Platforms

The Group has developed several pharmaceutical R&D technology platforms, which include E.coli expression system, Pichia Yeast expression system, Mammalian cell expression system, E.coli constitutive secretion system, Gene therapy drug development system, Gene targeting system and Chemical medicines development system.

E.coli, Pichia Yeast and Mammalian 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.

E.coli constitutive secretion system

The Group are in the process of developing a revolutionary E.coli expression system, whereby the fermentation process could be self promulgated without using the standard promoters. This process, if successful, is expected to improve tremendously the yield that can normally be produced under the traditional fermentation process. Since most of the fermentation process uses E.coli expression system, this new platform could provide significant value for the Group.

Gene therapy drug development system

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 cell packing. At present, the Group's independently developed adenovirus product is at the stage of animal experimentation.

Gene targeting system

Gene targeting system has already produced more than five hundred different mouse models of human disorders, including cardiovascular and neuro-degenerative diseases, diabetes and cancer. Gene targeting has now been used by many research groups. Three scientists with great contribution in this area were the winners of 2007 Nobel Laureates. The Group has already reconstructed a gene-targeted Bacillus licheniformis producing EGF by this technique. The Group can use gene-targeted Bacillus licheniformis cells as vehicles to introduce genetic material into the human body, and the gene-targeted Bacillus licheniformis carrying various health genes could be established directly from this gene-targeting technique in the near future.

Chemical medicines development system

This system is capable of designing, synthesizing and analyzing various small molecular chemical drugs and can prepare various new pharmaceutical delivery systems such as orally disintegrating tablets, soft capsules, ophthalmic gel, lyophilized powders and small dripping solutions. There are additional systems in which the Group has invested which improved the R&D capabilities and reduce the cost of production of the chemical medications.

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 new drugs include Recombinant Exendin-4 (rExendin-4), Recombinant Human Erythropoietin-Fc (rhEPO-Fc), Recombinant Thymopentin (rTP-5) which has been changed to cyclic Thymopentin (cTP-5). The Class II prescription new drugs include Recombinant Human Parathyroid Hormone 1-34 (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 significantly in the years ahead. The demand for diabetes drugs are one of the fastest growing segments in the pharmaceutical market, increased by approximately 40% when compared to in 2004 and accounting for approximately 20% of all prescription drugs in the global markets. In the PRC, the size of pharmaceutical market is estimated to be about US$23-50 billion.

rExendin-4 is a non-insulin antidiabetic treatment candidate that stimulates the incretin pathway (a distinct mechanism of action) which is drawing attention in the medical community and has 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 in 2007, Phase II clinical trials were also completed by the end of 2008. Phase III clinical trials commenced in June 2009.

On 6 July 2009, the Company announced that it has initiated pre-clinical trial on application of rExendin-4 on treatment of Type I diabetes.

On 8 July 2009, the Company announced that the rExendin-4 project has been approved after evaluation by authoritative experts in the PRC during the first batch topic presentation for the "New Key Drug Formulation" of the State's Major Science and Technology Project under the "Eleventh Five-Year Plan", topic numbered 2008ZX09101-036; and has secured the "Specialty Contract of the State's Major Science and Technology Project" with the Ministry of Science and Technology of the PRC. Among the 15 Class 1 new drug finalists of the first batch of genetic engineering drugs nationwide, the rExendin-4 project developed by the Group is the only project to receive grants in the Guangdong Province.

Classified as Class I prescription new drug 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 at which glucose is being absorbed into the bloodstream. This new generation drug will be an effective treatment for Type 2 diabetes and is the only class of diabetic drugs that causes weight loss, the first of its kind to be in the PRC. Furthermore, the Group is in the process of investigating the long acting version ("LExendin-4").

On 4 May 2009, the Company announced that study shows that the LExendin-4 has the biological activity of natural Exendin-4. If the subsequent studies prove to be successful, LExendin-4 will be a new generation of Exendin-4 that can be used for the treatment of Type II diabetes, and potentially, of Type I diabetes as well.

rhEPO-Fc

This medication candidate 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 USD12 billion, and the EPO market is growing at an average annual rate of 21%.

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

On 8 July 2009, the Company announced that the rhEPO-Fc project has joined the second batch topic presentation for the "New Key Drug Formulation" of the State's Major Science and Technology Project under the "Eleventh Five-Year Plan", topic numbered 2009ZX09102-229. The master budget of this project has been submitted to the Ministry of Science and Technology.

cTP-5 (previously known as rTP-5)

rTP-5 has been converted to cTP-5 as a class I chemical drug candidate for 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 the PRC is about 130 million (~30% of the global infected population).

cTP-5 is a chemical medical preparation for treating chronic hepatitis B and the research progress is currently at the final stages of pre-clinical trials. After stages of research and experiments, the Group is able to synthesize cTP-5 at a much lower cost than that of rTP- 5 with similar effectiveness. Since most biopharmaceuticals products are bigger in size, the cost in production is much higher using the chemical method. However cTP-5 is only 5 amino acids in length, whereas most biopharmaceuticals are from 30 to 150 amino acids in length.

LFA3-Fc

LFA3-Fc is a Class I biopharmaceutical candidate for the treatment of psoriasis. The current treatment for psoriasis is suppression – orientated, but LFA3-Fc offers a potential cure for psoriasis. This is currently in the early 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.

rhIL-11 is a Class II prescription new drug candidate that stimulates human body to make platelets, which is 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 to dangerously low level which can cause 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 nonmyelosuppressed 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 is 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 rheumatoid arthritis.

rhPTH 1-34

rhPTH 1-34 (a Class II prescription new drug) has its Phase II clinical trial completed by the end of 2008. Phase III clinical trial commenced in April 2009. rhPTH 1-34 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 instead of 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 the currently available antiresorptive agents.

According to the preliminary information gathered, a group which is treated daily 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% as compared with another group treated with placebo.

Strategic Alliance

The Group has also formed a strategic alliance with DaAn Gene Co., Ltd of Sun Yat-sen University ("DaAn") to cooperate on individualized diagnostic reagents and new drugs. DaAn is a public company listed on the Shenzhen Stock Exchange, PRC. specialising in the field of biotechnologies, especially in the development and application of gene diagnostic technologies and related products.

DaAn was one of the first companies in the PRC to develop in 2003 the FQ-PCR kit for early detection of SARS-coronavirus (SARS-CoV) upon the platform of FQ-PCR.

The Directors expect that the formation of the strategic alliance with DaAn will bring positive effect to the Group's bio-science related business.

Liquidity and Financial Resources

During the year under review, 132,950,000 ordinary shares of HK$0.10 each were issued resulting from the exercise of share options granted by the Company at a subscription price of HK$0.2229 per share and 525,333,332 ordinary shares of HK$0.10 each were issued at issue price of HK$0.15 per share upon capitalisation of debts of the Group amounting to approximately HK$78,800,000.

At 31 March 2009, the Group's bank deposits, bank balances and cash amounted to HK$50,009,000 and bank and other borrowings amounted to HK$52,046,000. At 31 March 2009, the Group has total assets of approximately HK$1,447,591,000, current assets of the Group at 31 March 2009 amounted to approximately HK$292,615,000 while current liabilities were HK$143,203,000. The gearing ratio, calculated by dividing the total debts over its total assets, was 3.6%.

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 ("RMB"). The Group does not hedge its foreign currency risks as the rate of exchange between Hong Kong dollar and RMB is controlled within a narrow range.

The following table illustrates the sensitivity analysis of the Group's profit after tax for the year and equity in regards to a 5% (2008: 5%) depreciation in the group entities' functional currencies against RMB. These percentages are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the balance sheet date was determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	2009	2008
	RMB	RMB
	HK$'000	HK$'000
Profit for the year and retained profits	**7,959**	16,264

A 5% appreciation in the group entities' functional currencies against RMB would have the same magnitude on the Group's profit for the year and equity but of opposite effect.

These are the same method and assumption used in preparing the sensitivity analysis included in the financial statements of the year ended 31 March 2008.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions in RMB. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

Pledge of Assets and Contingent Liabilities

As at 31 March 2009, leasehold building, leasehold land and land use rights and investment properties with an aggregate net book value of HK$65,622,000 had been pledged to the Group's bankers for banking facilities granted to the Group.

At 31 March 2009, the Group did not have any material contingent liabilities.

Employment and Remuneration Policy

At 31 March 2009, the Group employed approximately 500 staff, including approximately 60 staff in the PRC R&D centres, approximately 260 staff in total in the PRC sales offices, approximately 170 staff in the PRC production sites and approximately 10 staff in Hong Kong. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on performance. Share options may also be granted to staff with reference to the individual's performance.

EXECUTIVE DIRECTORS

Mr. TONG Kit Shing, aged 48, is the chairman ("Chairman") of the Company. He has been engaged in metal trading business in the PRC since 1997. Mr. TONG also has extensive investment experience in water treatment business in the PRC using biotechnology. As at 31 March 2009, Mr. TONG had an interest in the shares of the Company. Details of such interest are set out in the paragraph headed "Directors' interests in Shares" in the Directors' Report contained in this annual report.

Mr. LIU Guoyao, aged 45, has extensive experience in the management and business administration of entities in the PRC. As at 31 March 2009, Mr. LIU had an interest in the shares of the Company. Details of such interest are set out in the paragraph headed "Directors' interests in Shares" in the Directors' Report contained in this annual report.

Mr. CHENG Wai Man, aged 49, has extensive experience in corporate and marketing management in the printing industry and in the trading of bio-chemical products.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIN Jian, aged 73, is working at Jinan University in Guangzhou, the PRC as a professor in Biological Engineering. He has 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 of Hong Kong Limited ("Stock Exchange").

Mr. SO Yin Wai, aged 47, graduated from Hong Kong Polytechnic University in 1986 and has been in the accounting profession for about 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 73, has over 40 years of experience in academic training and education in the PRC 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.

SENIOR MANAGEMENT

Dr. Samuel K. ZIA, M.D., aged 55, is the Chief Executive Officer of the Group. He has over 20 years of experience at management level in healthcare. He is Founder, Chairman, & CEO of Allied Physicians IPA and Network Medical Management in the USA. He graduated from the University of South California, Medical School, and holds B.S. degree in biochemistry from UCLA.

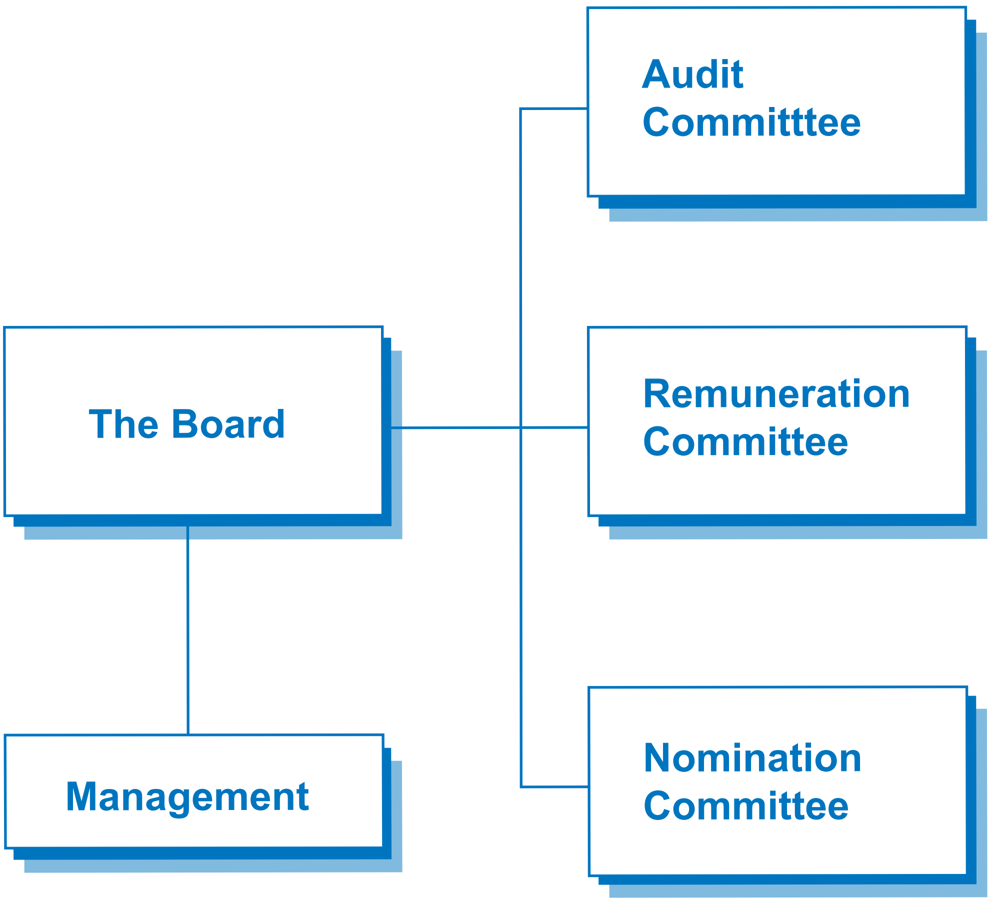
Goldman LEE, aged 45, is the company secretary of the Company. He has over 20 years of accounting and related experience. He is a member of the Hong Kong Institute of Certified Public Accountants.

The Group 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 Directors believe that good corporate governance practices are increasingly important for maintaining and promoting investor confidence and for stable growth of the Group.

The Directors are of the opinion that the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on Stock Exchange (the "Listing Rules") for the financial year 2008/2009, except for certain deviations that are discussed later in this report.

Below is a discussion on the corporate governance practices adopted by the Company with specific reference to the CG Code.

The chart below shows the organisation structure of the Group:



THE BOARD OF DIRECTORS

The Board currently consists of six members, including the Chairman, two executive Directors and three independent non-executive Directors. One of our independent non-executive Directors has the professional and accounting qualifications as 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 of association of the Company, 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 Chairman of the Board is Mr. TONG Kit Shing while Dr. Samuel ZIA is the Chief Executive Officer of the Group.

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 is 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.

THE BOARD OF DIRECTORS *(Continued)*

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 this report. 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 of the Company 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.

THE BOARD OF DIRECTORS *(Continued)*

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

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

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

	Regular Meeting(s) Attended/Held
Executive Directors	
TONG Kit Shing *(Chairman)*	4/4
LIU Guoyao	4/4
CHENG Wai Man	4/4
Independent Non-executive Directors	
ZHOU Yaoming	4/4
LIN Jian	4/4
SO Yin Wai	4/4

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 to the Listing Rules as the code of conduct regarding securities transactions by all Directors. A copy of the Model Code is sent to each Director first on his appointment and a reminder is sent to each Director to remind him about the blackout period during which he cannot deal in the securities of the Company at the appropriate time prior to board meetings to approve the Company's financial results.

Having made specific enquiry of all Directors, all Directors confirmed they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2009.

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 conform to the provisions of the CG Code.

AUDIT COMMITTEE *(Continued)*

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 Audit Committee from time to time to discuss special projects or other issues which it 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(s) Attended/Held
SO Yin Wai *(Chairman)*	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 2009 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 under review, two Remuneration Committee meetings were held, the individual attendance of each member is set out below:

Name of director	Meeting(s) Attended/Held
TONG Kit Shing	2/2
CHENG Wai Man	2/2
SO Yin Wai	2/2
ZHOU Yaoming *(Chairman)*	2/2
LIN Jian	2/2

NOMINATION COMMITTEE

The Company established a nomination committee ("Nomination Committee") on 4 November 2005. Members of the nomination committee as at 31 March 2009 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 under review, two Nomination Committee meetings were held, the individual attendance of each member is set out below:

Name of director	Meeting(s) Attended
TONG Kit Shing	2/2
CHENG Wai Man	2/2
SO Yin Wai	2/2
ZHOU Yaoming	2/2
LIN Jian *(Chairman)*	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.

AUDITORS' REMUNERATION

The Group was charged HK$980,000 for auditing services by Hopkins CPA Limited in respect of the year ended 31 March 2009.

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 implement an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The Board has delegated such duties to the executive management for 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.

The Board has conducted a review of the effectiveness of the Group's internal control system, covering its financial, operational, compliance control and risk management functions.

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 2009, 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.

The external auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the consolidated financial statements of the Company for the year ended 31 March 2009.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency in communicating with its 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 with 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.

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 by poll.

INVESTOR RELATIONSHIP AND COMMUNICATION *(Continued)*

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 company's policy forbids our employees or agents 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 fund raising activities for the needs of the society.

The Directors 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 2009.

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 20 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 31 March 2009 are set out in the consolidated income statement on page 34.

DIVIDEND

The Directors do not recommend the payment for a dividend for the year ended 31 March 2009.

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:

	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000 (restated)
Results					
Profit/(loss) attributable to shareholders	**(508,323)**	198,380	60,322	(42,446)	(887)
Assets and liabilities					
Total assets	**1,447,591**	1,866,048	1,299,447	138,809	183,114
Total liabilities	**(158,544)**	(208,797)	(229,017)	(105,205)	(107,384)
Shareholders' funds	**1,289,047**	1,657,251	1,070,430	33,604	75,730

SHARE CAPITAL AND RESERVES

Details of the movements in share capital of the Company during the year are set out in note 28 to the financial statements.

Movements in reserves of the Group and the Company during the year are set out in note 29 to the financial statements respectively.

SHARE CAPITAL AND RESERVES *(Continued)*

In accordance with 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 2009, the aggregate amount of the Company's reserves available for distribution to shareholders was approximately HK$399,337,000 (2008: HK$512,009,000).

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

In accordance with article 87(1) of the Company's articles of association, Mr. LIU Guoyao and Mr. ZHOU Yaoming will retire by rotation at the forthcoming annual general meeting of the Company and being eligible, offers themselves for re-election.

Biographical information of Directors is set out on page 13 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 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

As at 31 March 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, 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)*	2,454,407,736 shares of HK$0.10 each *(Note 3)*	28.21% *(Note 3)*
LIU Guoyao	The Company	Interest of a controlled corporation *(Note 2)*	2,454,407,736 shares of HK$0.10 each *(Note 3)*	28.21% *(Note 3)*

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 Limited ("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 percentage of shareholding is calculated on the basis of 8,698,975,292 Shares in issue as at 31 March 2009.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

To the best knowledge of the Directors after making reasonable enquiry, as at 31 March 2009, 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	2,454,407,736 shares of HK$0.10 each *(Note 2)*	28.21% *(Note 2)*

Notes:

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

2. The percentage of shareholding is calculated on the basis of 8,698,975,292 Shares in issue as at 31 March 2009.

Save as disclosed above, the Directors and chief executive of the Company was not aware of any other relevant interests or short positions in the shares or underlying shares in the Company as at 31 March 2009.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

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 24% (2008: 22%) of the Group's total sales for the year while the single largest customer accounted for approximately 5% (2008: 5%) 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 89% (2008: 66%) of the Group's total purchases for the year and the single largest supplier accounted for approximately 27% (2008: 17%) 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.

CONTINGENT LIABILITIES

At 31 March 2009, the Group had no material contingent liabilities.

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

During the year under review, the warrants (stock code: 0545) of the Company carrying rights to subscribe in cash for new ordinary shares of HK$0.10 each in the capital of the Company at the subscription price of HK$0.7143 per share (subject to adjustment) during the period from 4 October 2006 to 3 October 2008 (both dates inclusive) which remained outstanding as at 4:00 p.m. (Hong Kong time) on Friday, 3 October 2008 expired after such time.

Except as disclosed in note 30 to the financial statements, the Company had no outstanding convertible securities, options, warrants or instruments carrying other similar rights as at 31 March 2009.

PRE-EMPTIVE RIGHTS

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

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 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

SHARE OPTIONS

Under the share option scheme (the "2001 Scheme") approved by the shareholders on 22 October 2001, the Directors of may, as their 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 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.

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.

Further details of share options were set out in note 30 to the financial statements.

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 15 to 23 of this report.

AUDIT COMMITTEE

The Company sets 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 CG Code set out in the Listing Rules.

The Audit Committee provides an important linkage between the Board and the Company's auditors in relation to audit, financial reporting and internal control matters. The Audit Committee, comprising of all the three independent non-executive Directors (namely Mr. SO Yin Wai (chairman), 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 ended 31 March 2009, 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.

AUDIT COMMITTEE *(Continued)*

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2009 with the management.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the 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 as at the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of any subsidiaries and associated companies for the year ended 31 March 2009.

AUDITORS

As announced by the Company on 28 August 2008, CCIF CPA Limited ("CCIF") resigned as auditors of the Group with effect from 21 August 2008 and Hopkins CPA Limited ("Hopkins") were appointed on 26 August 2008 to fill the casual vacancy following the resignation of CCIF. Details of the reasons leading to CCIF's resignation were disclosed in the Company's announcement dated 28 August 2008.

The Board and members of the Audit Committee confirmed that other than the reasons stated in the Company's announcement dated 28 August 2008, there are no circumstances connected with the change of auditors which the Board considers should be brought to the attention of the shareholders of the Company.

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

On behalf of the Board

TONG Kit Shing
Chairman

Hong Kong, 27 July 2009

HOPKINS CPA LIMITED
3/F, Sun Hung Kai Centre
30 Harbour Road
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 32 to 124, which comprise the consolidated and company balance sheets as at 31 March 2009, 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 report.

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.

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 2009 and of the Group's loss 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.

Hopkins CPA Limited
Certified Public Accountants
Hong Kong, 27 July 2009

Albert Man-Sum Lam
Practising Certificate Number P02080

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Continuing Operations:			
Turnover	4	**526,270**	869,946
Cost of sales		**(200,995)**	(332,264)
Gross profit		**325,275**	537,682
Other revenues and net income	5	**8,441**	702
Selling and distribution costs		**(96,400)**	(67,438)
Administrative expenses		**(345,387)**	(120,263)
Other expenses		**(893)**	(14,525)
Impairment loss on trade receivables		**(20,486)**	–
Impairment loss on goodwill		**(193,626)**	–
Impairment loss on other receivables, deposit and prepayments		**(108,882)**	–
Impairment loss on leasehold land and land use rights		**(2,727)**	–
Impairment loss on intangible assets		**(2,177)**	–
Impairment loss on property, plant and equipment		**(16,895)**	–
Change in fair value of investment properties		**(489)**	–
Operating (loss) / profit		**(454,246)**	336,158
Finance costs		**(967)**	(1,745)
Share of net profit of associate		**1**	–
(Loss) / profit before income tax	6	**(455,212)**	334,413
Income tax	7	**(53,111)**	(139,134)
(Loss) / profit for the year from continuing operations		**(508,323)**	195,279
Discontinued Operations:			
Profit for the year from discontinued operations		**–**	3,101
(Loss)/profit for the year attributable to equity holders of the Company	10	**(508,323)**	198,380

For the year ended 31 March 2009

	Note	2009 HK Cents	2008 HK Cents
(Loss) / earnings per share	11		
From continuing and discontinued operations			
Basic		(6.11)	2.60
Diluted		(6.11)	2.55
From continuing operations			
Basic		(6.11)	2.55
Diluted		(6.11)	2.51

The notes on pages 42 to 124 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Goodwill	17	379,926	573,552
Property, plant and equipment	14	417,822	353,840
Investment properties	15	4,920	5,277
Leasehold land and land use rights	16	23,718	28,144
Intangible assets	18	318,610	358,896
Interests in associates	19	9,980	9,979
		1,154,976	1,329,688
Current assets			
Leasehold land and land use rights	16	1,641	1,036
Inventories	21	8,570	9,115
Trade receivables	22	161,307	209,033
Other receivables, deposits and prepayments	23	71,088	278,823
Cash and cash equivalents	24	50,009	38,353
		292,615	536,360
Current liabilities			
Trade payables	26	18,147	48,588
Accrued charges and other payables		55,985	86,223
Tax payables		20,294	60,979
Amount due to a director	25	12,072	3,007
Bank loans	27	26,705	–
Other loan	27	10,000	10,000
		143,203	208,797
Net current assets		149,412	327,563
Total assets less current liabilities		1,304,388	1,657,251
Non-current liabilities			
Bank loans	27	15,341	–
Net assets		1,289,047	1,657,251

As at 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Capital and reserves attributable to equity holders of the Company			
Share capital	28	**869,898**	804,069
Reserves	29	**419,149**	853,182
Total equity		**1,289,047**	1,657,251

Approved and authorised for issue by the board of directors on 27 July 2009 and are signed on its behalf by:

Tong Kit Shing
Director

Liu Guoyao
Director

The notes on pages 42 to 124 form part of these financial statements.

BALANCE SHEET

As at 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Investments in subsidiaries	20	–	–
Current assets			
Amounts due from subsidiaries	20	1,291,068	1,467,024
Other receivables, deposits and prepayments	23	465	76
Cash and cash equivalents	24	419	20,845
		1,291,952	1,487,945
Current liabilities			
Accrued charges and other payable		3,898	8,305
Amounts due to a subsidiary	20	–	141,000
Amounts due to directors	25	6,968	500
		10,866	149,805
Net current assets		1,281,086	1,338,140
Total assets less current liabilities		1,281,086	1,338,140
Net assets		1,281,086	1,338,140
Capital and reserves attributable to equity holders of the Company			
Share capital	28	869,898	804,069
Reserves	29	411,188	534,071
Total equity		1,281,086	1,338,140

Approved and authorised for issue by the board of directors on 27 July 2009 and are signed on its behalf by:

Tong Kit Shing
Director

Liu Guoyao
Director

The notes on pages 42 to 124 form part of these financial statements.

For the year ended 31 March 2009

	Attributable to equity holders 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/ (Accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 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
Issue of shares – exercise of warrants	1	1	–	–	–	–	–	–	–	2	–	2
Issue of shares – exercise of share options	20,000	33,851	–	–	–	–	–	–	–	53,851	–	53,851
– transfer from share-based payments reserve	–	17,486	–	–	(17,486)	–	–	–	–	–	–	–
Issue of shares – conversion of convertible note	6,400	58,290	–	–	–	(11,904)	–	–	–	52,786	–	52,786
Issue of shares – acquisition of a subsidiary	3,667	198,018	–	–	–	–	–	–	–	201,685	–	201,685
Issue of shares – bonus issue	673,601	(673,601)	–	–	–	–	–	–	–	–	–	–
Equity settled share-based payments transactions	–	–	–	–	7,007	–	–	–	–	7,007	–	7,007
Disposal of a subsidiary	–	–	(24)	–	–	–	(1,330)	–	–	(1,354)	(1,094)	(2,448)
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	–	87,907	–	87,907	–	87,907
Find dividend 2006/2007 declared	–	–	–	–	–	–	–	–	(12,349)	(12,349)	–	(12,349)
Profit attributable to shareholders	–	–	–	–	–	–	–	–	198,380	198,380	–	198,380
At 31 March 2008 and 1 April 2008	804,069	488,038	(267)	6,289	22,061	–	–	96,801	240,260	1,657,251	–	1,657,251
Issue of shares – exercise of share options	13,295	16,341	–	–	–	–	–	–	–	29,636	–	29,636
– transfer from share-based payments reserve	–	10,210	–	–	(10,210)	–	–	–	–	–	–	–
Issue of shares – debts capitalisation	52,534	26,266	–	–	–	–	–	–	–	78,800	–	78,800
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	–	31,683	–	31,683	–	31,683
(Loss) attributable to shareholders	–	–	–	–	–	–	–	–	(508,323)	(508,323)	–	(508,323)
At 31 March 2009	**869,898**	**540,855**	**(267)**	**6,289**	**11,851**	**–**	**–**	**128,484**	**(268,063)**	**1,289,047**	**–**	**1,289,047**

The notes on pages 42 to 124 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
(Loss)/Profit before income tax	(455,212)	337,514
Adjustments for:		
Amortization of intangible assets	48,760	29,096
Amortization of leasehold land and land use rights	1,820	899
Depreciation	53,614	37,780
Interest expenses	600	5,750
Interest income	(641)	(806)
Share of net profit of associate	1	–
Gain on disposal of investment in subsidiary	–	(1,246)
Loss on disposal of property, plant and equipment	750	4,177
Revaluation of property, plant and equipment	–	(11,747)
Impairment loss on trade receivables	20,486	–
Impairment loss on goodwill	193,626	–
Impairment loss on other receivables, deposits and prepayments	108,882	–
Impairment loss on property, plant and equipment	16,895	10,348
Impairment loss on intangible assets	2,177	3,050
Impairment loss on leasehold land and land use rights	2,727	–
Change in fair value of investment properties	489	–
Write down of obsolete inventories	–	1,950
Equity settled share-basis payment expenses	–	7,007
Effect of foreign exchange rate changes	78,238	38,960
Operating cash flows before movements in working capital	73,212	462,732
Movement in:		
Decrease/(Increase) in inventories	545	(2,224)
Decrease/(Increase) in trade and other receivables, deposits and prepayments	126,094	(346,485)
Increase in amounts due to a director	9,065	3,007
Increase in trade payables, accrued charges and other payable	30,339	125,748
Cash generated from operations	239,255	242,778
Interest paid	(600)	(4,840)
Income taxes paid	(165,113)	(146,724)
Net cash generated from operating activities	73,542	91,214

For the year ended 31 March 2009

	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES		
Net cash outflow from acquisition of an associate	–	(9,979)
Net cash outflow from acquisition of a subsidiary	–	(22,821)
Net cash inflow from disposal of subsidiaries	–	39,988
Purchase of property, plant and equipment	(136,948)	(85,923)
Proceeds from disposal of property, plant and equipment	1,739	26,702
Purchase of intangible assets	–	(85,073)
Interest received	641	806
Increase in pledged deposits	–	(249)
Net cash used in investing activities	(134,568)	(136,549)
FINANCING ACTIVITIES		
Capital element of finance lease rentals paid	–	(79)
New borrowing raised from other loan	–	20,000
New borrowing raised from bank loans	42,046	–
Repayment of bank and other loans	–	(14,340)
New borrowing raised from trust receipts	–	1,320
Dividend paid	–	(12,349)
Proceeds from issue of shares by exercise of warrants	–	2
Proceeds from issue of shares by exercise of share options	29,636	53,851
Net cash generated from financing activities	71,682	48,405
Net increase in cash and cash equivalents	10,656	3,070
Cash and cash equivalents at beginning of year	38,353	33,917
Effect of changes in foreign exchange rate	1,000	1,366
Cash and cash equivalents at end of year	50,009	38,353

1. GENERAL

The Company is an exempted company incorporated with limited liability in the Cayman Islands with its securities listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Automatic Result Limited, a company 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 1502, 15/F, AXA Centre, No. 151 Gloucester Road, Wan Chai, Hong Kong.

The principal activity of the Company is investment holdings 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); the manufacture, sale and trading of pharmaceutical products; and the manufacture and trading package products, paper gifts items and promotional products. The packaging products, paper gifts items and promotional products business were disposed of in September 2007.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the functional currency of the Group.

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

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the financial year beginning on 1 April 2008.

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets

The new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combination[2]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Interpretation 9 and HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC) – Interpretation 18	Transfer of Assets from Customers[6]
Various – Annual improvements to HKFRS 2008[7]	
Various – Annual improvements to HKFRS 2009[8]	

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for transfer of assets from customers received on or after 1 July 2009
7 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRSs
8 Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRSs

The Directors anticipate that all of these pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

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

Among these new standards and interpretations, HKAS 1 (Revised) – Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements. This amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 – Operating Segments may result in new or amended disclosures. The Directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The Directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable HKFRSs, which collectively include 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) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2009 comprise the Company and its subsidiaries.

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:

– certain plant and machinery (see note 3(f));
– convertible bonds (see note 3(l)); and
– investment properties (see note 3(g)).

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 38.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c) 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.

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 accounting policy on impairment loss on financial assets below), unless the investment is classified as held for sale (or included in a disposal Group that is classified as held for sale).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

d) ASSOCIATES

An associate is an entity over which an investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Any excess of the cost of additional acquisition over the Group's share of the net asset value of the identifiable assets, liabilities and contingent liabilities of the associate attributable to the additional acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net asset value of the identifiable assets, liabilities and contingent liabilities attributable to the additional acquisition over the cost of additional acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

d) ASSOCIATES *(Continued)*

The Company shall discontinue the use of equity method from the date that it ceases to have significant influence over an associate and account for the investment in accordance with HKAS 39 from that date, provided the associate does not become a subsidiary or joint venture as defined in HKAS 31.

The carrying amount of the investment at date of that it ceases to be an associate shall be regarded as its cost on initial measurement as a financial asset.

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(j)).

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 in 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.

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:

– Plant and machinery in respect to the packaging products, paper gifts items and promotional products. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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(j)):

– Plant and machinery and other items of plant and equipment in respect of the pharmaceutical business.

– Buildings held for own use.

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(q)).

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

g) INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

h) 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(q)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 3(j)). 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(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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 determine 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.

i) 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.

(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(j). 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

i) LEASED ASSETS *(Continued)*

(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.

j) IMPAIRMENT OF NON-FINANCIAL 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;
- leasehold land and land use rights;
- intangible assets; 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)*

j) IMPAIRMENT OF NON-FINANCIAL 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.

k) 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)*

l) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, bank balances and deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses (See accounting policy on impairment on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30-90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables and amounts due from related companies, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities and equity *(Continued)*

Other financial liabilities

Other financial liabilities including trade payables, other payables, bank borrowings, other financial liabilities, amounts due to directors and other loan are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of equity instruments

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in the consolidated income statement on the purchase or cancellation of the Company's own equity instruments.

Convertible bonds

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. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible notes using the effective interest method.

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 profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) FINANCIAL INSTRUMENTS *(Continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments are recognised as derivative financial instruments with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

m) 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).

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) INCOME TAX *(Continued)*

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.

o) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

o) REVENUE RECOGNITION *(Continued)*

(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.

p) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

q) 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.

r) 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;

(v) the party is a close family member of a party referred to in note 3(r)(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

s) 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.

For the year ended 31 March 2009

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 (the "PRC"). The packaging products, paper gifts items and promotional products business were disposed of in September 2007.

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 consolidated accounts.

5. OTHER REVENUES AND NET INCOME

	2009			2008		
	Continuing operation HK$'000	Discontinued operation HK$'000	Consolidated HK$'000	Continuing operation HK$'000	Discontinued operation HK$'000	Consolidated HK$'000
Interest income	641	–	641	557	249	806
Rental income	180	–	180	108	–	108
Government grants for research and development project and sundry income	7,620	–	7,620	37	211	248
	8,441	–	8,441	702	460	1,162

For the year ended 31 March 2009

6. (LOSS)/PROFIT BEFORE INCOME TAX

	2009			2008		
	Continuing operation HK$'000	Discontinued operation HK$'000	Consolidated HK$'000	Continuing operation HK$'000	Discontinued operation HK$'000	Consolidated HK$'000
a) Finance costs						
Imputed interest on convertible bonds wholly repayable within five years	–	–	–	910	–	910
Interest and expenses on bank advances and other bank borrowings wholly repayable within five years	367	–	367	55	1,149	1,204
Bank handling charges	–	–	–	–	6	6
Other borrowing costs	600	–	600	780	2,850	3,630
Total borrowing costs	967	–	967	1,745	4,005	5,750
b) Staff costs (including directors' emoluments)						
Contributions to defined contribution retirement plans	1,142	–	1,142	105	76	181
Salaries, wages and other benefits	17,866	–	17,866	20,710	2,213	22,923
Share-based payments expenses	–	–	–	7,007	–	7,007
	19,008	–	19,008	27,822	2,289	30,111
Less: Staff costs included in research and development costs	(4,823)	–	(4,823)	(5,072)	–	(5,072)
	14,185	–	14,185	22,750	2,289	25,039

6. (LOSS)/PROFIT BEFORE INCOME TAX *(Continued)*

	2009			2008		
	Continuing operation HK$'000	Discontinued operation HK$'000	Consolidated HK$'000	Continuing operation HK$'000	Discontinued operation HK$'000	Consolidated HK$'000
c) Other items						
Auditor's remuneration						
– provided during the year	980	–	980	4,900	–	4,900
Less: overprovision in last year	(200)	–	(200)	–	–	–
	780	–	780	4,900	–	4,900
Cost of inventories	180,616	–	180,616	316,569	45,030	361,599
Amortisation of intangible assets	48,760	–	48,760	29,096	–	29,096
Amortisation of land use rights	1,820	–	1,820	899	–	899
Depreciation						
– assets held under finance leases	–	–	–	–	–	–
– other assets	53,614	–	53,614	33,600	4,180	37,780
	53,614	–	53,614	33,600	4,180	37,780
Less: Depreciation included in research and development costs	(37,166)	–	(37,166)	(23,140)	–	(23,140)
	16,448	–	16,448	10,460	4,180	14,640
Loss on disposal of property, plant and equipment	750	–	750	4,177	–	4,177
Operating lease charges: minimum lease payments						
– property rentals	1,818	–	1,818	1,760	531	2,291
Research and development costs	270,893	–	270,893	55,399	–	55,399

7. INCOME TAX

a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group's operations in Hong Kong had no assessable profits for the year (2008: Nil).

Taxation on overseas profit has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China of Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008.

Pursuant to the laws and regulations in the PRC, certain Group's PRC subsidiaries are entitled to exemption from PRC income tax for two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC income tax for the following three years ("preferential tax treatment"). According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa 2007 No. 39), those entities that previously enjoyed preferential tax treatment would be granted a five-year transitional period. The tax exemption and deduction from PRC income tax for the foreign investment enterprises is still applicable until the end of the five-year transitional period under the New Law.

Income tax in the consolidated income statement represents:

	2009			2008		
	Continued operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000	Continued operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000
Current tax – Hong Kong Profits Tax						
Provision for the year	–	–	–	–	–	–
Under-provision in respect of prior years	–	–	–	–	–	–
Current tax – Overseas						
Provision for the year	53,111	–	53,111	139,134	–	139,134
Deferred tax						
Origination and reversal of temporary differences	–	–	–	–	–	–
	53,111	–	53,111	139,134	–	139,134

7. INCOME TAX *(Continued)*

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

	2009 HK$'000	2008 HK$'000
(Loss)/profit before income tax	(455,212)	337,514
Notional tax on (loss)/profit before income tax, calculated at the rates applicable to (loss)/profit in the countries concerned	(75,110)	112,732
Tax effect on operation in different jurisdiction	(21,105)	–
Tax effect of non-deductible expenses and non-taxable income	83,195	2,960
Tax effect of unused tax losses not recognised	66,131	23,442
Actual tax expense	53,111	139,134

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 2009

	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	190	–	–	10	200
Liu Guoyao	–	–	–	–	–
Cheng Wai Man	60	–	–	3	63
Independent Non-executive Directors:					
Zhou Yaoming	50	–	–	–	50
Lin Jian	50	–	–	–	50
So Yin Wai	50	–	–	–	50
	400	–	–	13	413

8. DIRECTORS' REMUNERATION *(Continued)*

For the year ended 31 March 2008

	Directors' fees	Salaries, allowances and benefits in kind	Share-based payments	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors:					
Tong Kit Shing	270	–	–	12	282
Liu Guoyao	–	–	–	–	–
Cheng Wai Man	120	–	–	6	126
Independent Non-executive Directors:					
Zhou Yaoming	50	–	–	–	50
Lin Jian	50	–	–	–	50
So Yin Wai	50	–	–	–	50
	540	–	–	18	558

During the year, no (2008: no) emolument was 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 (2008: None) of the directors has waived any emoluments during the year.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none (2008: one) is director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other five (2008: four) individuals are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other emoluments	1,865	2,139
Share-based payments	–	–
Retirement scheme contributions	–	–
	1,865	2,139

The emoluments of the five (2008: four) individuals with the highest emoluments are within the following bands:

	2009 Number of individuals	2008 Number of individuals
HK$Nil – HK$1,000,000	5	4
HK$1,000,001 – HK$2,000,000	–	–
HK$2,000,001 – HK$3,000,000	–	–

10. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The (loss)/profit attributable to equity holders of the Company includes a loss of approximately HK$165,489,000 (2008: HK$20,440,000 loss) which has been dealt with in the financial statements of the Company.

11. (LOSS)/EARNINGS PER SHARE

(i) From continuing and discontinued operations

The calculation of basic and diluted (loss)/earnings per share from continuing and discontinued operations attributable to equity holders of the Company is based on the following data:

	2009 HK$'000	2008 HK$'000
(Loss)/profit for the year attributable to equity holders of the Company for the purpose of basic and diluted (loss)/earnings per share	(508,323)	198,380

	2009	2008
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	8,323,446,845	7,637,117,665
Effect of dilutive potential ordinary shares – Share options	–	129,930,586
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	8,323,446,845	7,767,048,251

11. (LOSS)/EARNINGS PER SHARE *(Continued)*

(ii) From continuing operations

The calculation of the basic and diluted (loss)/earnings per share from continuing operations attributable to equity holders of the Company is based on the following data:

	2009 HK$'000	2008 HK$'000
(Loss)/profit for the purpose for calculating basic and diluted earnings per share from continuing operations	(508,323)	195,279
Loss for the period from discontinued operations attributable to equity holders of the Company	–	–
	(508,323)	195,279

	2009	2008
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	8,323,446,845	7,637,117,665
Effect of dilutive potential ordinary shares – Share options	–	129,930,586
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	8,323,446,845	7,767,048,251

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:

Distribution of third party pharmaceutical products – Distribution of third party pharmaceutical products.

In-house chemical pharmaceutical products – Manufacture and sale of in-house chemical pharmaceutical products.

In-house biological pharmaceutical products – Manufacture and sale of in-house biological pharmaceutical products.

Packaging products, paper gifts items and promotional products business – Manufacture and sale of packaging products, paper gifts items and promotional products. Packaging products, paper gifts items and promotional products business were disposed of in September 2007.

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

12. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

Primary reporting format-business segments

For the year ended 31 March 2009

	Continuing Operations				Discontinued Operations	
	Distribution of third party pharmaceutical products HK$'000	In-house chemical pharmaceutical products HK$'000	In-house biological pharmaceutical products HK$'000	Sub-total HK$'000	Packaging products, paper gifts items and promotional products business HK$'000	Consolidated HK$'000
Revenue from external customers	245,183	57,245	223,842	526,270	–	526,270
Segment results – gross	97,440	38,620	189,215	325,275	–	325,275
Operating income & expenses	(35,571)	(57,685)	(328,305)	(421,561)	–	(421,561)
Impairment loss on trade receivables	(20,486)	–	–	(20,486)	–	(20,486)
Impairment loss on goodwill	–	(193,626)	–	(193,626)	–	(193,626)
Impairment loss on other receivables, deposits and prepayments	–	(92,973)	(15,909)	(108,882)	–	(108,882)
Impairment loss on leasehold land and land use rights	–	–	(2,727)	(2,727)	–	(2,727)
Impairment loss on intangible assets	–	(2,177)	–	(2,177)	–	(2,177)
Impairment loss on property, plant and equipment	–	(12,891)	(4,004)	(16,895)	–	(16,895)
Change in fair value of investment properties	–	–	(489)	(489)	–	(489)
Segment results	41,383	(320,732)	(162,219)	(441,568)	–	(441,568)
Unallocated operating income and expenses	–	–	–	(12,678)	–	(12,678)
Operating loss				(454,246)	–	(454,246)
Finance costs				(967)	–	(967)
Share of net profit of associate				1	–	1
Loss before income tax				(455,212)	–	(455,212)
Income tax				(53,111)	–	(53,111)
Loss for the year				(508,323)	–	(508,323)
Segment assets	318,791	322,928	801,860	1,443,579	–	1,443,579
Unallocated corporate assets				4,012	–	4,012
Total assets				1,447,591	–	1,447,591
Segment liabilities	56,133	18,912	45,962	121,007	–	121,007
Unallocated corporate liabilities				37,537	–	37,537
Total liabilities				158,544	–	158,544
Capital expenditure	42,843	88,573	5,532	136,948	–	136,948
Amortisation	–	18,448	32,132	50,580	–	50,580
Depreciation	16,448	17,587	19,579	53,614	–	53,614
Loss on disposal of property, plant and equipment	750	–	–	750	–	750

12. SEGMENT REPORTING *(Continued)*

For the year ended 31 March 2008

	Continuing Operations				Discontinued Operations	
	Distribution of third party pharmaceutical products HK$'000	In-house chemical pharmaceutical products HK$'000	In-house biological pharmaceutical products HK$'000	Total HK$'000	Packaging products, paper gifts items and promotional products business HK$'000	Consolidated HK$'000
Revenue from external customers	463,847	248,822	157,277	869,946	62,570	932,516
Segment results – gross	233,758	174,074	129,850	537,682	17,540	555,222
Operating income and expenses	(17,083)	(60,670)	(81,911)	(159,664)	(10,434)	(170,098)
Impairment loss on property, plant and equipment	–	–	(10,348)	(10,348)	–	(10,348)
Impairment loss on intangible assets	–	(3,050)	–	(3,050)	–	(3,050)
Segment results	216,675	110,354	37,591	364,620	7,106	371,726
Unallocated operating income and expenses				(28,462)	–	(28,462)
Operating profit				336,158	7,106	343,264
Finance costs				(1,745)	(4,005)	(5,750)
Profit before income tax				334,413	3,101	337,514
Income tax				(139,134)	–	(139,134)
Profit for the year				195,279	3,101	198,380
Segment assets	355,876	835,766	649,910	1,841,552	–	1,841,552
Unallocated corporate assets				24,496	–	24,496
Total assets				1,866,048	–	1,866,048
Segment liabilities	79,822	61,641	32,202	173,665	–	173,665
Unallocated corporate liabilities				35,132	–	35,132
Total liabilities				208,797	–	208,797
Capital expenditure	60,073	124,753	159,447	344,273	–	344,273
Amortisation	–	17,179	12,816	29,995	–	29,995
Depreciation	10,460	16,788	6,352	33,600	4,180	37,780
Write down of obsolete inventories	–	–	–	–	1,950	1,950
Loss on disposal of property, plant and equipment	–	–	4,177	4,177	–	4,177

Note: At 31 March 2007, included in the unallocated corporate assets of HK$629,629,000 was goodwill of HK$557,541,000 in respect of pharmaceutical products segment.

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

For the year ended 31 March 2009

	Turnover			Total assets			Capital expenditure		
	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000
Hong Kong	–	–	–	80,418	–	80,418	–	–	–
The PRC	526,084	–	526,084	1,367,173	–	1,367,173	136,948	–	136,948
Other countries	186	–	186	–	–	–	–	–	–
	526,270	–	526,270	1,447,591	–	1,447,591	136,948	–	136,948

For the year ended 31 March 2008

	Turnover			Total assets			Capital expenditure		
	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000
Hong Kong	–	42,084	42,084	787,378	–	787,378	–	–	–
The PRC	869,811	17,985	887,796	1,078,670	–	1,078,670	344,273	–	344,273
Other countries	135	2,501	2,636	–	–	–	–	–	–
	869,946	62,570	932,516	1,866,048	–	1,866,048	344,273	–	344,273

13. DIVIDENDS

The Directors do not recommend the payment for a dividend for the year ended 31 March 2009 (2008: Nil).

For the year ended 31 March 2009

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 2007	20,547	305,550	14,938	53,951	4,222	448	399,656
Additions	432	79,892	1,869	3,730	–	–	85,923
Acquisition of a subsidiary	25,886	1,456	18,013	5,280	2,101	–	52,736
Disposal of a subsidiary	–	(78,501)	(8,211)	(18,579)	(1,120)	–	(106,411)
Disposals	–	(41,990)	(382)	(110)	(764)	–	(43,246)
Exchange differences	3,961	19,951	1,951	3,807	412	44	30,126
As at 31 March 2008 and 1 April 2008	50,826	286,358	28,178	48,079	4,851	492	418,784
Additions	–	132,734	3,130	783	301	–	136,948
Acquisition of a subsidiary	–	–	–	–	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	–
Disposals	–	(3,320)	(3)	–	–	–	(3,323)
Exchange differences	1,265	(6,534)	417	812	32	12	(3,996)
As 31 March 2009	52,091	409,238	31,722	49,674	5,184	504	548,413
Accumulated depreciation							
At 1 April 2007	232	41,190	7,677	14,970	1,038	–	65,107
Charge for the year	1,731	30,037	1,367	3,972	673	–	37,780
Acquisition of a subsidiary	7,207	1,326	10,436	2,674	1,380	–	23,023
Disposal of a subsidiary	–	(32,976)	(6,555)	(15,755)	(732)	–	(56,018)
Disposals	–	(11,336)	(344)	–	(687)	–	(12,367)
Elimination on revaluation	–	(11,747)	–	–	–	–	(11,747)
Impairment	2,092	8,224	32	–	–	–	10,348
Exchange differences	775	6,617	927	371	128	–	8,818
At 31 March 2008 and 1 April 2008	12,037	31,335	13,540	6,232	1,800	–	64,944
Charge for the year	2,413	39,123	7,389	3,383	1,306	–	53,614
Acquisition of a subsidiary	–	–	–	–	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	–
Written back on disposal	–	(831)	(3)	–	–	–	(834)
Elimination on revaluation	–	–	–	–	–	–	–
Impairment	1,998	12,428	445	2,024	–	–	16,895
Exchange differences	300	(4,112)	57	(229)	(44)	–	(4,028)
At 31 March 2009	16,748	77,943	21,428	11,410	3,062	–	130,591
Net book value							
At 31 March 2009	35,343	331,295	10,294	38,264	2,122	504	417,822
At 31 March 2008	38,789	255,023	14,638	41,847	3,051	492	353,840

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

The analysis of the cost or valuation of the above assets at 31 March 2009 and 2008 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 2009							
At cost	52,091	409,238	31,722	49,674	5,184	504	548,413
At 31 March 2008							
At cost	50,826	286,358	28,178	48,079	4,851	492	418,784

Notes:

At 31 March 2007, plant and machinery included plant and machinery in respect of the packaging products, paper gifts items and promotional products stated at valuation and other plant and equipment in respect of the pharmaceutical business stated at cost amounting to approximately HK$41,435,000 and HK$264,115,000 respectively. The carrying amount of revalued plant and machinery held by the Group would have been approximately HK$17,361,000 at 31 March 2007 had they been stated at cost less accumulated depreciation and impairment losses.

15. INVESTMENT PROPERTIES

At fair value

	2009 HK$'000	2008 HK$'000
Balance at beginning of year	5,277	–
Acquisitions through acquisition of subsidiaries	–	4,907
Exchange differences	132	370
Change in fair value	(489)	–
Balance at end of year	4,920	5,277

16. LEASEHOLD LAND AND LAND USE RIGHTS

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

	2009 HK$'000	2008 HK$'000
Balance at beginning of year	29,180	15,481
Acquired through acquisition of subsidiaries	–	12,371
Amortisation	(1,820)	(899)
Impairment	(2,727)	–
Exchange differences	726	2,227
Balance at end of year	25,359	29,180
Analysed for reporting purposes as:		
Current assets	1,641	1,036
Non-current assets	23,718	28,144
	25,359	29,180
The Group's leasehold land and land use rights payments comprise:		
– Medium-term lease in the PRC	15,652	16,132
– Short-term lease in the PRC	9,707	13,048

17. GOODWILL

	HK$'000
Cost	
At 1 April 2007	564,174
Acquisition of subsidiaries	16,011
Disposal of subsidiaries	(6,633)
At 31 March 2008, 1 April 2008 and 31 March 2009	573,552
Accumulated impairment losses	
At 1 April 2007	6,633
Disposal of subsidiaries	(6,633)
At 31 March 2008 and 1 April 2008	–
Impairment loss for the year	(193,626)
At 31 March 2009	(193,626)
Carrying amount	
At 31 March 2009	379,926
At 31 March 2008	573,552

17. 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:

	2009 HK$'000	2008 HK$'000
Pharmaceutical products – the PRC	**379,926**	573,552

The goodwill of HK$16,011,000 arising on acquisition of Zethanel Properties Limited for the year ended 31 March 2008 represented value obtainable from synergies with the Group and opportunities for the Group to expedite the launch of more pharmaceutical and healthcare products and to broaden the products range of the Group.

The goodwill of HK$557,541,000 arising on acquisition of Figures Up Trading Limited and Nan Hoo Properties Limited for the year ended 31 March 2007 was attributable to the future commercial prospect in respect of new drugs at research stage and anticipated profitability of the Group in the business of pharmaceutical products in the PRC.

For the year ended 31 March 2007, the Group acquired Figures Up trading Limited and Nan Hoo Properties Limited on 14 June 2006 and 21 December 2006 respectively, the acquirees' carrying amounts immediately before combinations were same as their fair values as at the respective dates of acquisition.

During the year ended 31 March 2007, Figures Up Trading Limited contributed to the Group's revenue and profit before taxation of HK$258,022,000 and HK$170,013,000 respectively from the date of acquisition to 31 March 2007.

During the year ended 31 March 2007, Nan Hoo Properties Limited had no significant contribution to the Group's revenue and profit before taxation from the date of acquisition to 31 March 2007.

Had the acquisitions on Figures Up Trading Limited and Nan Hoo Properties Limited been completed on 1 April 2006, total Group's turnover and operating (gross) profit for the year ended 31 March 2007 would have been approximately HK$382,751,000 and HK$208,931,000 respectively, based on the management accounts of the acquirees. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is it intended to be a projection of future results.

17. GOODWILL *(Continued)*

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:

	2009	2008
	%	%
Gross margin	**50-90**	50-90
Growth rate	**5-25**	10-30
Discount rate	**25-50**	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.

For the year ended 31 March 2006, the recoverable amount of CGU of the paper gifts items, packaging and promotional products sector was determined by the Directors based on fair value less costs to sell with reference to their net asset values as at 31 March 2006. An impairment loss of HK$6,538,000 on the carrying amount of goodwill was recognised and charged to the income statement for the year ended 31 March 2006 because the paper gifts items, packaging and promotional products sector had slowed down and demand dropped.

18. INTANGIBLE ASSETS

	The Group HK$'000
Cost	
At 1 April 2007	118,111
Addition	85,073
Acquisition of a subidiary	168,041
Exchange differences	24,254
At 31 March 2008 and 1 April 2008	395,479
Exchange differences	30,948
At 31 March 2009	426,427
Accumulated amortisation	
At 1 April 2007	3,854
Charge for the year	29,096
Impairment	3,050
Exchange differences	583
At 31 March 2008 and 1 April 2008	36,583
Charge for the year	48,760
Impairment	2,177
Exchange differences	20,297
At 31 March 2009	107,817
Carrying amount	
At 31 March 2009	318,610
At 31 March 2008	358,896

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.

18. INTANGIBLE ASSETS *(Continued)*

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

The patents are related to several pharmaceutical products and the exclusive right for the commercialisation of the pharmaceutical products owned by the Group. The patents were granted by the State Food and Drug Administration ("SFDA") and the Ministry of Health of the PRC, as appropriate.

The valuations were carried out by an independent firm of surveyors, AA Property Services Limited.

19. INTERESTS IN AN ASSOCIATE

Name of associate	Place of incorporation and operation	Principal activity	Particulars of issued and paid up capital	Interest held (Indirect)
廣東聯康生物與醫藥研究院	The PRC	Inactive	Contributed capital of Renminbi ("RMB") 20,000,000	45%

Summarised financial information in respect of the Group's associates is set out below:

	2009 HK$'000	2008 HK$'000
Total assets	**22,243**	22,209
Total liabilities	**64**	33
Net assets	**22,179**	22,176
Group's share of net assets of an associate	**9,980**	9,979

19. INTERESTS IN AN ASSOCIATE *(Continued)*

	2009 HK$'000	2008 HK$'000
Total revenue	34	33
Total profit for the year	3	–
Group's share of profits of an associate	1	–

20. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	–	–
Less: Impairment loss	–	–
	–	–
Amounts due from subsidiaries	1,451,068	1,467,024
Less: Impairment loss	(160,000)	–
	1,291,068	1,467,024
Amounts due to a subsidiary	–	141,000

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

For the year ended 31 March 2009, the management assessed the recoverable amounts of the loss-making subsidiaries relating to the in-house chemical pharmaceutical business sector and determined that the carrying amounts of the investments in these subsidiaries exceeded their recoverable amounts by approximately HK$160,000,000 based on their fair value less cost to sell with reference to their net asset values as at 31 March 2009. Accordingly, impairment loss of HK$160,000,000 was recognised for the year ended 31 March 2009.

b) The details of the subsidiaries at 31 March 2009 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	Provision of management services/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%
Zethanel Properties Limited	British Virgin Islands	Investment holding/ Hong Kong	10,000 Ordinary shares of US$1 each	100%
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$56,068,016	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 RMB1,000,000	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 RMB64,800,000	100%
深圳市華生元基因工程發展有限公司	PRC	Manufacture and sales of biological products/PRC	Contributed capital of RMB80,000,000	100%

* Shares held directly by the Company.

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

b) The details of the subsidiaries at 31 March 2009 are as follows: *(Continued)*

For the year ended 31 March 2007, the management assessed the recoverable amounts of the loss-making subsidiaries relating to the paper gifts items, packaging and promotional products sector and determined that the carrying amounts of the investments in these subsidiaries exceeded their recoverable amounts by approximately HK$63,850,000 based on their fair value less cost to sell with reference to their net asset values as at 31 March 2007. Accordingly, impairment loss of HK$63,850,000 was recognised on 31 March 2007.

21. INVENTORIES

	The Group	
	2009	2008
	HK$'000	HK$'000
Raw materials	**2,483**	1,199
Work in progress	**624**	1,246
Finished goods	**5,463**	6,670
	8,570	9,115

The Group has not written off any inventories during the year (2008: Nil).

22. TRADE RECEIVABLES

	The Group	
	2009	2008
	HK$'000	HK$'000
Trade receivables	**161,307**	209,033

At 31 March 2009, trade receivables of the Group amounting to approximately HK$20,486,000 (2008: approximately HK$9,392,000) were determined to be impaired and full provision had been made. These receivables were due from companies with financial difficulties.

22. TRADE RECEIVABLES *(Continued)*

The aging analysis of the trade receivables is analysed as follows:

	The Group	
	2009 HK$'000	2008 HK$'000
Within 30 days	42,257	73,289
31 – 60 days	16,516	45,983
61 – 90 days	16,736	39,278
Over 90 days	114,795	59,875
	190,304	218,425
Less: Provision for impairment of receivables	(28,997)	(9,392)
	161,307	209,033

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	
	2009 HK$'000	2008 HK$'000
RMB	161,307	209,033

Customers are generally granted with credit terms of 30 to 90 days (2008: 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.

22. TRADE RECEIVABLES *(Continued)*

At each balance sheet date, the Group first assesses whether objective evidence of impairment exists individually for trade receivables that are individually significant, and individually or collectively for trade receivables that are not individually significant. The Group also assesses collectively for trade receivables with similar credit risk characteristics for impairment. The impaired receivables, if any, are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision is recognised if the amount is determined to be irrecoverable.

The following is an ageing analysis of the Group's trade receivables that are not impaired at the balance sheet date:

	2009 HK$'000	2008 HK$'000
Neither past due nor impaired	**60,445**	88,947
Past due and not impaired		
Not more than one month past due	**14,740**	23,535
Over one month past due	**86,122**	96,551
	100,862	120,086
	161,307	209,033

Trade receivables that are not yet past due relate to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have good track record with the Group. Base on past experiences, the management believes that no impairment provision is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits for purchases of technical know-how *(note a)*	**21,863**	155,302	**–**	–
Deposits and prepayments for purchases of plant and machinery *(note b)*	**915**	46,349	**–**	–
Other receivables and prepayments	**48,310**	77,172	**465**	76
	71,088	278,823	**465**	76

a) At 31 March 2009, the Group paid a total sum of approximately HK$21,863,000 (2008: HK$155,302,000) 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$8,701,000 (2008: HK$9,072,000) for these purchases are disclosed in note 33 to the financial statements.

b) At 31 March 2009, the Group paid a total sum of approximately HK$915,000 (2008: HK$46,349,000) 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$143,000 (2008: HK$20,050,000) for these purchases are disclosed in note 33 to the financial statements.

Base on past experiences, the management believes that no impairment provision is necessary in respect of the deposits and other receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. The carrying amount of deposits and other receivables is considered a reasonable approximation of fair value.

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**50,009**	38,353	**419**	20,845
Cash and cash equivalents in the balance sheet	**50,009**	38,353	**419**	20,845
Cash and cash equivalents in the consolidated cash flow statement	**50,009**	38,353		

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	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**49,362**	17,277	**–**	16

25. AMOUNTS DUE TO DIRECTORS

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

26. TRADE PAYABLES

	The Group	
	2009	2008
	HK$'000	HK$'000
Trade payables	18,147	48,588

At 31 March 2009, all the trade payables are expected to be settled within one year and the aging analysis of the trade payables is analysed as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Within 30 days	4,782	7,539
31 – 60 days	4,103	25,426
61 – 90 days	5,784	8,524
Over 90 days	3,478	7,099
	18,147	48,588

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	
	2009	2008
	HK$'000	HK$'000
RMB	18,147	48,588

27. BANK LOANS AND OTHER BORROWINGS

	The Group	
	2009 HK$'000	2008 HK$'000
Bank loans repayable:		
Within 1 year or on demand	26,705	–
After 1 year but within 2 years	15,341	–
	42,046	–
Other loans repayable:		
Within 1 year or on demand	10,000	10,000
After 1 year but within 2 years	–	–
	10,000	10,000
	52,046	10,000
Less: Amount due within 1 year shown under current liabilities	(36,705)	(10,000)
	15,341	–
Secured	42,046	–
Unsecured	10,000	10,000
	52,046	10,000

Other loan is denominated in HK$ and bear interest at fixed rate of 6% per annum.

All the bank loans are denominated in RMB and bear interest at variable rates by reference to the People's Bank of China's lending rate, ranging from 5.6% to 6.2% per annum.

Bank loans amounted to HK$42,045,000 (2008: nil) are secured by investment properties; leasehold building; leasehold land and land use rights of the Group with carrying amount of HK$4,920,000 (2008: nil), HK$35,343,000 (2008: nil) and HK$25,359,000 (2008: nil) respectively.

In the opinion of the Directors, carrying amounts of the Group's current and non-current bank loans and other loans approximate their fair values. The fair values of the non-current bank loans are calculated by discounting their expected future cash flows at market rates.

28. SHARE CAPITAL

	Number of shares	Par value
	'000	HK$'000
(A) Authorised:		
Ordinary shares of HK$0.10 each at 1 April 2006 and 1 April 2007	2,000,000	200,000
Increase in authorized capital for the year ended 31 March 2008 *(Note a)*	48,000,000	4,800,000
Ordinary shares of HK$0.10 each at 31 March 2008 and 31 March 2009	50,000,000	5,000,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each at 1 April 2006	180,000	18,000
Issue of shares by open offer *(Note b)*	360,000	36,000
Issue of shares for the acquisition of subsidiaries *(Note c)*	220,000	22,000
Issue of shares by share placement *(Note d)*	108,000	10,800
Issue of shares for the acquisition of subsidiaries *(Note e)*	80,000	8,000
Issue of shares upon conversion of convertible bonds on 20 December 2006 *(Note f)*	26,500	2,650
Issue of shares upon conversion of convertible bonds on 5 January 2007 *(Note f)*	29,500	2,950
At 31 March 2007, ordinary shares of HK$0.10 each	1,004,000	100,400
Issue of shares upon conversion of convertible bonds on 25 June 2007 *(Note g)*	64,000	6,400
Issue of shares upon exercise of warrants *(Note h)*	1	1
Issue of shares upon exercise of options *(Note i)*	18,000	1,800
Issue of shares for the acquisition of subsidiaries *(Note j)*	36,670	3,667
Issue of bonus shares *(Note k)*	6,736,021	673,601
Issue of share upon exercise of options *(Note l)*	182,000	18,200
At 31 March 2008, ordinary shares of HK$0.10 each	8,040,692	804,069
Issue of shares upon exercise of options *(Note m)*	132,950	13,295
Issue of shares upon capitalisation of debts *(Note n)*	525,333	52,533
At 31 March 2009, ordinary shares of HK$0.10 each	8,698,975	869,897

28. SHARE CAPITAL *(Continued)*

Notes:

(a) On 6 August 2007, the shareholders of the Company approved the increase of authorized share capital of the Company from HK$200,000,000 to HK$5,000,000,000 by the creation of an additional 48,000,000,000 ordinary shares of HK$0.10 each.

(b) 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.

(c) 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 Figures Up Trading Limited. The issue price was agreed on 13 April 2006 based on arm's length negotiation. The Directors (including the independent non-executive Directors) considered the terms including issue price of the consideration shares as fair and reasonable. The issue of consideration shares is subject to a non-disposal undertaking by the vendor of registered share capital of Figures Up Trading Limited for 6 months from the completion date of the acquisition. The completion date of the acquisition was 14 June 2006. The closing price of the shares of the Company on 14 June 2006 was HK$1.70 per share.

(d) 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.

(e) 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 Nan Hoo Properties Limited. The issue price was agreed on 27 November 2006 based on arm's length negotiation. The Directors (including the independent non-executive Directors) considered the terms including issue price of the consideration shares as fair and reasonable. The issue of consideration shares is subject to a non-disposal undertaking by the vendor of registered share capital of Nan Hoo Properties Limited for 6 months from the completion date of the acquisition. The completion date of the acquisition was 21 December 2006. The closing price of the shares of the Company on 21 December 2006 was HK$3.21 per share.

(f) 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 Automatic Result Limited exercised its conversion right attaching to the 3-year HK$114 million zero coupon convertible bonds due 2009 ("Convertible Bonds") issued by the Company on 14 June 2006.

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 Automatic Result Limited exercised its conversion right attaching to the Convertible Bonds.

(g) On 25 June 2007, the Company allotted and issued 64,000,000 ordinary shares of HK$0.10 each at a conversion price of HK$0.95 per share upon exercise of conversion right attaching to the Convertible Bonds by the holders thereof.

(h) During the year ended 31 March 2008, the Company allotted and issued 280 ordinary shares of HK$0.10 each upon conversion of warrants at an exercise price of HK$5.00 per share.

28. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(i) On 23 July 2007, the Company allotted and issued 18,000,000 shares of HK$0.10 each upon exercise of options at a subscription price of HK$0.738.

(j) On 22 August 2007, the Company allotted and issued 36,670,000 ordinary shares of HK$0.10 each at the issue price of HK$5.50 per share to partly settle the consideration for the acquisition of 100% equity in Zethanel Properties Limited.

(k) On 31 August 2007, the Company allotted and issued 6,736,021,680 ordinary shares of Hk$0.10 each as bonus shares on the basis of 6 bonus shares for every 1 then existing share held.

(l) On 22 February 2008, the Company allotted and issued 182,000,000 ordinary shares of HK$0.10 each upon exercise of options at a subscription price of HK$0.2229 per share.

(m) Between May 2008 and July 2008, the Company allotted and issued 132,950,000 ordinary shares of HK$0.10 each upon exercise of options at a subscription price of HK$0.2229 per share.

(n) On 1 December 2008, the Company allotted and issued 525,333,332 ordinary shares of HK$0.10 each at issue price of HK$0.15 per share upon capitalisation of debts of the Group amounting to approximately HK$78,800,000.

(o) All new shares issued rank pari passu with the then existing shares in all material respects.

For the year ended 31 March 2009

29. RESERVES

The Group

	Share premium HK$'000 *(note a)*	Capital reserves HK$'000	Statutory reserve HK$'000 *(note b)*	Share-based payments reserve HK$'000 *(note 30)*	Equity component of convertible bonds reserve HK$'000	Revaluation reserve HK$'000 *(note c)*	Exchange reserve HK$'000 *(note d)*	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
	Attributable to equity holders of the Company										
At 31 March 2007 and 1 April 2007	853,993	(243)	6,289	32,540	11,904	1,330	8,894	54,229	968,936	1,094	970,030
Issue of shares – exercise of warrants	1	–	–	–	–	–	–	–	1	–	1
Issue of shares – exercise of share options	33,851	–	–	–	–	–	–	–	33,851	–	33,851
– transfer from share-based payments reserve	17,486	–	–	(17,486)	–	–	–	–	–	–	–
Issue of shares – conversion of convertible note	58,290	–	–	–	(11,904)	–	–	–	46,386	–	46,386
Issue of shares – acquisition of a subsidiary	198,018	–	–	–	–	–	–	–	198,018	–	198,018
Issue of shares – bonus issue	(673,601)	–	–	–	–	–	–	–	(673,601)	–	(673,601)
Equity settled share-based payments transactions	–	–	–	7,007	–	–	–	–	7,007	–	7,007
Disposal of a subsidiary	–	(24)	–	–	–	(1,330)	–	–	(1,354)	(1,094)	(2,448)
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	87,907	–	87,907	–	87,907
Find dividend 2006/2007 declared	–	–	–	–	–	–	–	(12,349)	(12,349)	–	(12,349)
Profit attributable to shareholders	–	–	–	–	–	–	–	198,380	198,380	–	198,380
At 31 March 2008 and 1 April 2008	488,038	(267)	6,289	22,061	–	–	96,801	240,260	853,182	–	853,182
Issue of shares – exercise of share options	16,341	–	–	–	–	–	–	–	16,341	–	16,341
– transfer from share-based payments reserve	10,210	–	–	(10,210)	–	–	–	–	–	–	–
Issue of shares – debts capitalization	26,266	–	–	–	–	–	–	–	26,266	–	26,266
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	31,683	–	31,683	–	31,683
(Loss) attributable to shareholders	–	–	–	–	–	–	–	(508,323)	(508,323)	–	(508,323)
At 31 March 2009	540,855	(267)	6,289	11,851	–	–	128,484	(268,063)	419,149	–	419,149

29. RESERVES *(Continued)*

The Company

	Share premium HK$'000 *(note a)*	Share-based payments reserve HK$'000 *(note 30)*	Equity component of convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 March 2007 and 1 April 2007	925,596	32,540	11,904	(14,843)	955,197
Issue of shares – exercise of warrants	1	–	–	–	1
Issue of shares – exercise of share options	33,851	–	–	–	33,851
– transfer from share-based payments reserve	17,486	(17,486)	–	–	–
Issue of shares – conversion of convertible bond	58,290	–	(11,904)	–	46,386
Issue of shares – acquisition of a subsidiary	198,018	–	–	–	198,018
Issue of shares – bonus issue	(673,601)	–	–	–	(673,601)
Equity settled share-based payments transactions	–	7,007	–	–	7,007
Final dividend 2006/2007 declared	–	–	–	(12,349)	(12,349)
(Loss) attributable to shareholders	–	–	–	(20,440)	(20,440)
At 31 March 2008 and 1 April 2008	559,641	22,061	–	(47,632)	534,070
Issue of shares – exercise of share options	16,341	–	–	–	16,341
– transfer from share-based payments reserve	10,210	(10,210)	–	–	–
Issue of shares – debts capitalisation	26,266	–	–	–	26,266
(Loss) attributable to shareholders	–	–	–	(165,489)	(165,489)
At 31 March 2009	**612,458**	**11,851**	**–**	**(213,121)**	**411,188**

29. RESERVES *(Continued)*

Notes:

a) Share premium

In accordance with the Companies Law (revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

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(p).

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 2009, the aggregate amount of the Company's reserve available for distribution to shareholders was approximately HK$399,337,000 (2008: HK$512,009,000) 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$612,458,000 (2008: HK$559,641,000) less accumulated losses of approximately HK$213,121,000 (2008: HK$47,632,000), 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.

30. 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 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.

30. 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 less than HK$1,000 (2008: less than HK$1,000). 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 2009 under the 2001 Scheme and 2006 Scheme are as follows:

	Number of share options								
	Outstanding at 31 March 2008 and 1 April 2008 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Outstanding at 31 March 2009 '000	Exercise price HK$	Date of grant	Exercise period	Remaining contractual life
Employees	196,000	–	(132,950)	–	63,050	0.2229 (adjusted)	19 June 2006	19 June 2006 to 21 October 2011	2.56 years
Employees	13,658	–	–	–	13,658	0.512	28 January 2008	28 January 2008 to 21 September 2016	7.48 years
Other	36,342	–	–	–	36,342	0.512	28 January 2008	28 January 2008 to 21 September 2016	7.48 years
	246,000	–	(132,950)	–	113,050				
Exercisable at the end of the year					113,050				
Weight average exercise price (HK$)	0.2817	N/A	0.2229	N/A	0.3508				

30. SHARE OPTIONS *(Continued)*

Details of the share option movements during the year ended 31 March 2008 under the 2001 Scheme and 2006 Scheme are as follows:

	Number of share options									
	Outstanding at 31 March 2007 and 1 April 2007 '000	Granted during the year '000	Adjusted during the year '000	Exercised during the year '000	Lapsed during the year '000	Outstanding at 31 March 2008 '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	3.56 years
Employees	54,000	–	324,000	(182,000)	–	196,000	0.2229 (adjusted)	19 June 2006	19 June 2006 to 21 October 2011	3.56 years
Employees	–	13,658	–	–	–	13,658	0.512	28 January 2008	28 January 2008 to 21 September 2016	8.48 years
Other	–	36,342	–	–	–	36,342	0.512	28 January 2008	28 January 2008 to 21 September 2016	8.48 years
	72,000	50,000	324,000	(200,000)	–	246,000				
Exercisable at the end of the year						246,000				
Weight average exercise price (HK$)	0.1935 (adjusted)	0.512	N/A	0.1748 (adjusted)	N/A	0.2817				

In respect of the share options exercised during the year ended 31 March 2009, the weighted average of share price at the date of exercise is HK$0.3863 (2008:HK$0.1657 as adjusted).

No option has been granted under the 2006 Scheme during the year ended 31 March 2009.

The fair value of services received in return for share options granted during the year ended 31 March 2008 under the 2006 Scheme are measured by reference to the fair value of share options granted under the 2006 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 28 January 2008 (the "28 January 2008 Grant").

30. SHARE OPTIONS *(Continued)*

	28 January 2008 Grant
Number of share issuable under options granted	50,000,000
Option value	7,006,900
Expected dividend yield (%)	2.2%
Expected volatility (%)	73.03%
Risk-free interest (%)	1.446%
Expected life of options (years)	1
Subscription price (HK$)	0.512
Share price at date of grant (HK$)	0.51

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

31. 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	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
At beginning of year	**–**	8,766	**–**	–	**–**	8,766
Charged/(credited) to consolidated income statement	**–**	–	**–**	–	**–**	–
Disposal of subsidiaries	**–**	(8,766)	**–**	–	**–**	(8,766)
At end of year	**–**	–	**–**	–	**–**	–

31. DEFERRED TAXATION *(Continued)*

Deferred tax assets

	The Group					
	Accelerated tax depreciation		Tax losses		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of year	**–**	(10)	**–**	(1,864)	**–**	(1,874)
Charged to consolidated income statement	**–**	–	**–**	–	**–**	–
Disposal of subsidiaries	**–**	10	**–**	1,864	**–**	1,874
At end of year	**–**	–	**–**	–	**–**	–

32. PLEDGE OF ASSETS

At the balance sheet date, the details of assets of the Group being pledged to secure borrowing facilities were as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Investment properties	**4,920**	–
Leasehold building	**35,343**	–
Leasehold land and land use rights	**25,359**	–
	65,622	–

33. 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	
	2009	2008
	HK$'000	HK$'000
Contracted for:		
– Purchases of technical know-how	8,701	9,072
– Purchases of property, plant and equipment	143	20,050
– Renovation	–	562
	8,844	29,684

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	
	2009	2008
	HK$'000	HK$'000
Within 1 year	1,318	763
After 1 year but within 5 years	234	2,057
	1,552	2,820

34. 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:

	2009 HK$'000	2008 HK$'000
Short-term employee benefits	–	2,547
Post-employment benefits	–	–
	–	2,547

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

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 Discontinued operations	
	2009 HK$'000	2008 HK$'000
Sales to		
– New Spring Label & Packaging Limited *(note i)*	–	1,473
Rental and service income		
– New Spring Label & Packaging Limited *(note ii)*	–	110
Management fee income		
– New Spring Label & Packaging Limited *(note iii)*	–	110
Accounting income		
– New Spring Label & Packaging Limited *(note iv)*	–	20

34. RELATED PARTY TRANSACTIONS *(Continued)*

b) *(Continued)*

i) During the year ended 31 March 2008, 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 2007 in New Spring Label & Packaging Limited. 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 2008, the Group received rental and service income from the related company for the office premises used.

iii) During the year ended 31 March 2008, the Group received management fee income from the related company. The fee was charged for the ongoing services in a factory located at PRC.

iv) During the year ended 31 March 2008, the Group received accounting income from the related company. It was charged at a monthly fixed charge.

35. ACQUISITION OF SUBSIDIARIES

a) **Acquisition for the year ended 31 March 2009**

There was no acquisition of subsidiaries for the year ended 31 March 2009.

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

b) Acquisition for the year ended 31 March 2008

On 22 August, 2007, the Group acquired 100% of the registered share capital of Zethanel Properties Limited for a consideration of approximately HK$367,776,000. This acquisition had been accounted by the purchase method of accounting and is analysed as follows:

	Acquirees's carrying value and fair value recognized on acquisition
	HK$'000
Net assets acquired:	
Intangible assets	168,041
Property, plant and equipment, land use rights and investment properties	44,688
Inventories	1,514
Trade receivables	2,946
Other receivables, deposits and prepayments	28,573
Cash and cash equivalents	143,270
Deferred assets	3,196
Trade payables	(9,593)
Accrued charges and other payables	(23,638)
Tax payables	(7,232)
	351,765
Goodwill	16,011
Consideration	367,776
Consideration is satisfied by:	
Cash	166,091
Consideration shares *(Note i)*	201,685
Net cash outflow arising from acquisition of a subsidiary:	
Cash consideration paid	(166,091)
Cash and bank balances acquired	143,270
	(22,821)

Note i: HK$201,685,000 of the total consideration was satisfied by issue of 36,670,000 consideration shares at an issue price of HK$5.50 per consideration share. The issue price was agreed on 23 July 2007 based on arm's length negotiation. The Directors (including the independent non-executive Directors) considered the terms including issue price of the consideration shares as fair and reasonable. The issue of consideration shares is subject to a non-disposal undertaking by the vendor of registered share capital of Zethanel Properties Limited of for 6 months from the completion date of the acquisition. The completion date of the acquisition was 22 August 2007. The closing price of the shares of the Company on 22 August 2007 was HK$1.14 per share.

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

The above acquisition during the year ended 31 March 2008 contributed to the Group's revenue and profit before income tax of approximately HK$nil and HK$24,521,000 respectively from the date of acquisition to the balance sheet date.

Had the above acquisition been completed on 1 April 2007, total Group's turnover for the year ended 31 March 2008 would have been approximately HK$869,946,000, and total Group's profit before income tax for the year ended 31 March 2008 would have been approximately HK$350,892,000, based on the management accounts of the acquirees. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is it intended to be a projection of future results.

36. DISCONTINUED OPERATIONS

On 19 September 2007, the Group entered into an agreement to dispose of 100% interest in, and relating loans to, New Master Group Limited which holds a group of subsidiaries principally engaged in the packaging products, paper gifts items and promotional products business for HK$36 million in cash. The disposal was completed on 30 September 2007.

An analysis of the results is set out in note 12. The cash flows of the discontinued operations included in the consolidated cash flow statement is as follows:

	2009 HK$'000	2008 HK$'000
Cash flow from discontinued operations:		
Net cash generated from operating activities	–	10,958
Net cash used in investing activities	–	(26)
Net cash used in financing activities	–	(7,104)
Net cash flow	–	3,828

36. DISCONTINUED OPERATIONS *(Continued)*

The net assets of the discontinued operations at the date of disposal were as follows:

	2009 HK$'000	2008 HK$'000
Net assets disposed of	–	36,417
Capital reserve released	–	(24)
Revaluation reserve released	–	(1,330)
Minority interests released	–	(1,094)
	–	33,969
Gain on disposal	–	1,246
Total consideration	–	35,215
Satified by:		
Cash	–	36,000
Expenses incurred	–	(785)
	–	35,215
Net cash inflow arising on disposal:		
Net cash consideration	–	35,215
Bank overdrafts disposed of	–	4,773
	–	39,988

37. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2009, the major non-cash transactions of the Group was the issue of 525,333,332 ordinary shares of HK$0.10 each at issue price of HK$0.15 per share upon capitalisation of debts of the Group amounting to approximately HK$78,800,000.

During the year ended 31 March 2008, the major non-cash transactions of the Group was that the consideration for the acquisition of 100% interest in Zethanel Properties Limited was partly satisfied by the issue of 36,670,000 ordinary shares of the Company at issue price of HK$5.50 per share, totalling HK$201,685,000.

38. 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(j). 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 receivables

The aged debt profile of trade receivables is reviewed on a regular basis to ensure that the trade receivable 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 receivable 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.

38. 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.

f) Estimated impairment of property, plant and equipment

The Group performs annual tests on whether there has been impairment loss on property, plant and equipment. Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

g) Fair values of share options granted and/or modified by the Company

As described in note 30, the directors of the Company use their judgement in selecting appropriate valuation techniques for share options granted and/or modified by the Company. Valuation technique, namely Back-Scholes-Merton pricing model, which is commonly used by market practitioners, has been applied for estimating the fair values of share options. The estimation of fair values of the share options are derived after taking into account the input parameters, such as the Company's share price, exercise price of the share options, expected volatility of the Company's share price, expected life of the share options, risk-free interest rates and expected dividend yield of the shares, etc. Details of the inputs and parameters for estimating the fair values of options are disclosed in note 30.

39. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risk through its use of financial instruments in its ordinary course of operations and its investment activities. The financial risks include market risk (including currency risk and interest risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. The Directors regularly monitors the Group's financial risk exposures.

a) Summary of financial assets and liabilities by category

The carrying amounts presented in the balance sheets relate to the following categories of financial assets and financial liabilities.

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Financial assets				
Loans and receivables:				
Trade receivables	161,307	209,033	–	–
Other receivables and deposits	57,050	224,544	29	50
Amounts due from subsidiaries	–	–	1,291,068	1,467,024
Cash and cash equivalents	50,009	38,353	419	20,845
	268,366	471,930	1,291,516	1,487,919
Financial liabilities				
Financial liabilities measured at amortised costs:				
Trade payables	18,147	48,588	–	–
Accrued charges and other payables	55,985	86,223	3,898	8,305
Amounts due to a subsidiary	–	–	–	141,000
Amounts due to directors	12,072	3,007	6,968	500
Bank loans	42,046	–	–	–
Other loan	10,000	10,000	–	–
	138,250	147,818	10,866	149,805

39. FINANCIAL RISK MANAGEMENT *(Continued)*

b) Foreign currency risk

(i) The Group operates mainly in both the 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 from the current or historical exchange rates as a result of controls that could be imposed by the government of the 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 arise.

The polices to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

The carrying amount of the Group's foreign currency denominated (all in RMB) financial assets and liabilities, translated into Hong Kong dollars at the closing rates, are as follows:

	2009 HK$'000	2008 HK$'000
Financial assets		
Trade receivables	**161,307**	209,033
Other receivables and deposits	**59,707**	224,283
Cash and cash equivalents	**49,362**	17,277
Financial liabilities		
Trade payables	**18,147**	48,588
Accrued charges and other payables	**50,979**	76,745
Bank loans	**42,046**	–

39. FINANCIAL RISK MANAGEMENT *(Continued)*

b) Foreign currency risk *(Continued)*

(ii) Sensitivity analysis

The following table illustrates the sensitivity of the Group's profit after tax for the year and equity in regards to a 5% (2008: 5%) depreciation in the group entities' functional currencies against RMB. These percentages are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the balance sheet date been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	2009 RMB HK$'000	2008 RMB HK$'000
Profit for the year and retained profits	**7,959**	16,264

A 5% appreciation in the group entities' functional currencies against RMB would have the same magnitude on the Group's profit for the year and equity but of opposite effect.

These are the same method and assumption used in preparing the sensitivity analysis included in the financial statements of the year ended 31 March 2008.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions in RMB. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

c) Interest rate risk

(i) Exposures to interest rate risk and the Group's risk management policies

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank borrowings. Borrowings bearing variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The exposure to interest rates for the Group's short term bank deposits is considered immaterial.

The Group will review whether bank loans bearing floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The interest rates and repayment terms of bank and other borrowings and cash and bank balances of the Group are disclosed in note 27 and 24 respectively. The Group currently does no have an interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate exchange exposure should the need arises. The policies to management interest rate risk have been followed by the Group since prior year and are considered to be effective.

(ii) Sensitivity analysis

The following table illustrates the sensitivity of the Group's profit of the year and equity to a possible change in interest rates of +/-1% (2008:+/-1%), with effect from the beginning of the year. The calculations are based on the Group's financial assets and liabilities held at the balance sheet date. All other variables are held constant.

	2009			2008		
	Change in interest rate	Increase/ (Decrease) profit for the year HK$'000	Increase/ (Decrease) retained profits HK$'000	Change in interest rate	Increase/ (Decrease) profit for the year HK$'000	Increase/ (Decrease) retained profits HK$'000
Financial assets and liabilities						
HK$	+1%	(21)	(21)	+1%	127	127
	−1%	21	21	−1%	(127)	(127)
Financial assets and liabilities						
RMB	+1%	159	159	+1%	142	142
	−1%	(159)	(159)	−1%	(142)	(142)

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents the management's assessment of a reasonably possible change in interest rate over the period until the next annual balance sheet date.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis (Continued)

The sensitivity analysis included in the financial statements of the year ended 31 March 2008 has been prepared on the same basis.

d) Credit risk

(i) Summary of exposure

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities.

The Group's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at the balance sheet date as summarised below:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets - carrying amounts				
Trade receivables	**161,307**	209,033	**–**	–
Other receivables and deposits	**57,050**	224,544	**29**	50
Amount due from subsidiaries	**–**	–	**1,291,068**	1,467,024
Cash and cash equivalents	**50,009**	38,353	**419**	20,845
	268,366	471,930	**1,291,516**	1,487,919

39. FINANCIAL RISK MANAGEMENT *(Continued)*

d) Credit risk *(Continued)*

(ii) Risk management objective and policies

The Group limits its exposure to credit risk by rigorously selecting the counterparties. Credit risk on cash and cash equivalents is mitigated as cash is deposits in banks of high credit rating. Credit risk on receivables is minimised as the Group performs ongoing evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, the management reviews the recoverability of receivables individually and collectively at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

A significant portion of Group's sales are made to several major customers and as at 31 March 2009, these major customers have trade receivables of approximately HK$59,683,000 (2008: HK$79,471,000) out of the total trade receivables of HK$161,307,000 (2008: HK$209,033,000) as stated on the consolidated balance sheet. These customers made continuous settlements with the Group and therefore, the management believes that the credit risk on the amounts due is minimal. The remaining amount of trade receivables are attributable to number of counterparties and customers and therefore, the Group has no significant concentration of credit risk on these remaining amounts.

e) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group manages its liquidity needs on a consolidated basis by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as forecast cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30 day projection. Long term liquidity needs for a 90-day and 180-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period.

The Group maintains cash and short-term bank deposits to meet its liquidity requirements for 30 day periods at a minimum. Funding for longer-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell longer-term financial assets.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

e) Liquidity risk *(Continued)*

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

Analysed below is the Group's and Company's remaining contractual maturities for its non-derivative financial liabilities as at 31 March 2009. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The analysis is based on the undiscounted cash flows of the financial liabilities.

At 31 March 2009:

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
Group					
Trade payables	–	18,147	–	–	18,147
Accrued charges and other payables	–	55,985	–	–	55,985
Amounts due to directors	12,072	–	–	–	12,072
Bank loans	–	28,861	17,586	–	46,447
Other loan	–	10,196	–	–	10,196
	12,072	113,189	17,586	–	142,847

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
Company					
Accrued charges and other payables	–	3,898	–	–	3,898
Amounts due to directors	6,968	–	–	–	6,968
	6,968	3,898	–	–	10,866

39. FINANCIAL RISK MANAGEMENT *(Continued)*

e) Liquidity risk *(Continued)*

At 31 March 2008:

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
Group					
Trade payables	–	48,588	–	–	48,588
Accrued charges and other payables	86,223	–	–	–	86,223
Amounts due to directors	3,007	–	–	–	3,007
Other loan	–	10,600	–	–	10,600
	89,230	59,188	–	–	148,418

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
Company					
Amounts due to a subsidiary	141,000	–	–	–	141,000
Accrued charges and other payables	–	8,305	–	–	8,305
Amounts due to directors	500	–	–	–	500
	141,500	8,305	–	–	149,805

f) Fair values

The fair value of the Group's and the Company's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity. The fair values of the non-current financial assets and liabilities are not disclosed because their carrying values are not materially different from their fair values.

40. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The capital structure of the Group consists of net debt, which includes the bank loans and other borrowings disclosed in note 27, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The Group monitors its capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares, raise new debt financing or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2009 and 2008.

41. POST BALANCE SHEET EVENTS

a) On 9 March 2009, the Company announced the proposal by way of an open offer ("Open Offer") to raise not less than approximately HK$144.9 million before expenses by issuing not less than 1,449,829,215 new shares (each an "Offer Share") and not more than approximately HK$146.8 million before expenses by issuing not more than 1,468,670,882 Offer Shares at the subscription price of HK$0.10 per Offer Share on the basis of 1 Offer Share for every 6 Shares in issue with bonus issue on the basis of 2 bonus shares (each a "Bonus Share") for every 1 Offer Share taken up under the Open Offer. The Group intends to use the net proceeds of the Open Offer for the research and development of its biological pharmaceutical products. Automatic Result was the underwriter to the Open Offer. The Open Offer was approved at the extraordinary general meeting of the Company held on 20 April 2009. The Open Offer was over-subscribed by approximately 53.21% and upon completion of the Open Offer on 12 May 2009, Automatic Result held 3,681,691,604 shares or approximately 28.21% of the then entire issued share capital of the Company of 13,048,462,937 ordinary shares as enlarged by the issue of 1,449,829,215 Offer Shares and 2,899,658,430 Bonus Shares under the Open Offer.

41. POST BALANCE SHEET EVENTS *(Continued)*

b) On 18 March 2009, the Company announced the proposal to its shareholders a capital reorganisation ("Capital Reorganisation") involving:

(i) the consolidation of every 10 issued and unissued existing shares of HK$0.10 each in the share capital of the Company into 1 consolidated share ("Consolidated Share") of HK$1.00;

(ii) the reduction of the share capital of the Company by cancelling the issued and paid up share capital to the extent of HK$0.99 on each of the issued Consolidated Shares of HK$1.00 and thereby reducing the nominal value of all the issued shares to HK$0.01 each; and

(iii) the diminution and subsequent increase in authorised share capital to HK$5,000,000,000.

The Capital Reorganisation was approved at the extraordinary general meeting of the Company held on 20 April 2009. The completion of the Capital Reorganisation is conditional upon inter alia, the sanction by the Grand Court of the Cayman Islands and the filing requirements with the Registrar of Companies in the Cayman Islands. The Capital Reorganisation exercise is on schedule and the Company will update its shareholders the progress in due course.

42. COMPARATIVE FIGURES

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

43. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 27 July 2009.