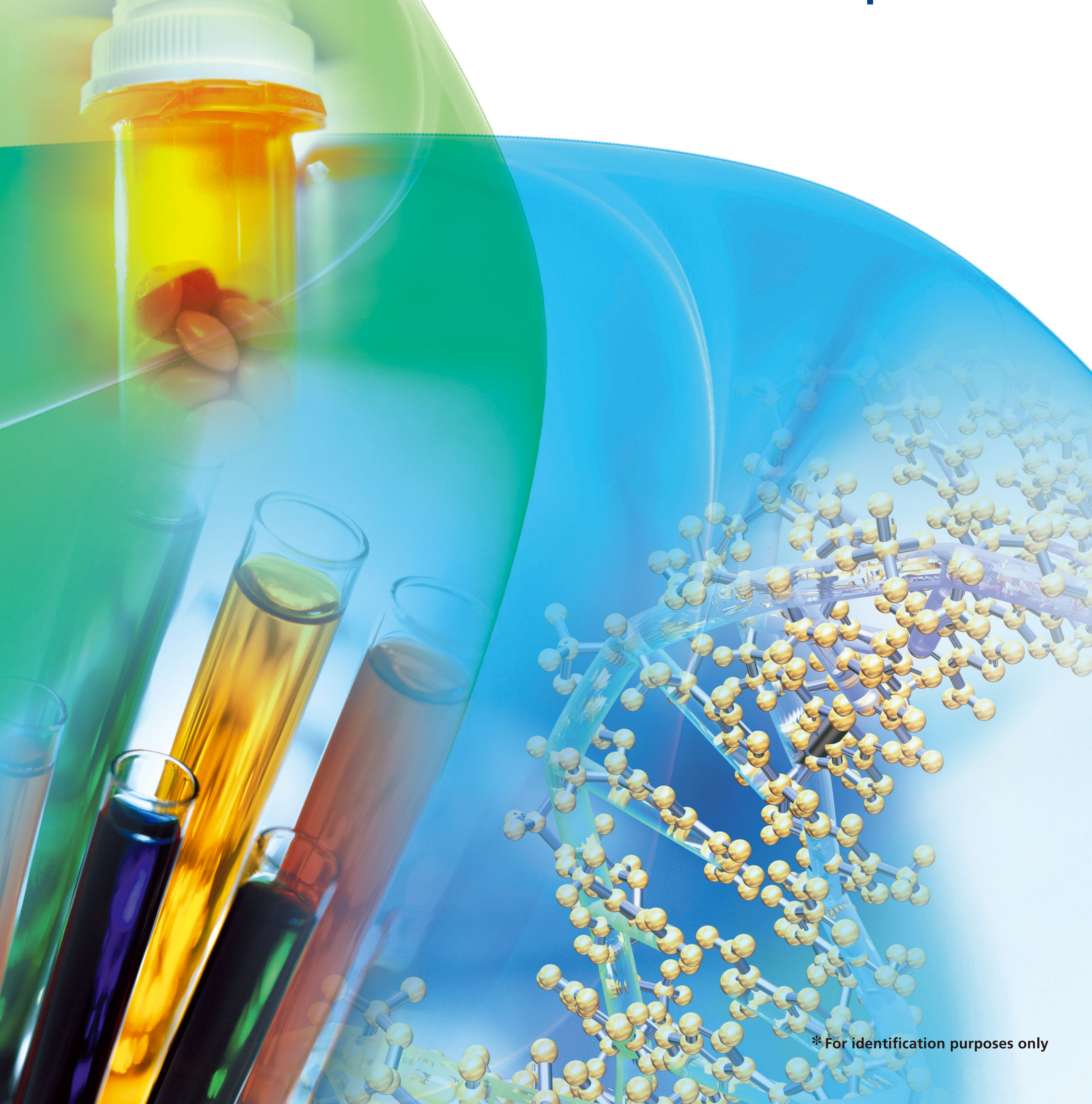
聯康生物科技集團有限公司*

Uni-Bio Science Group Limited

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

Annual Report 2010



* For identification purposes only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. TONG Kit Shing *(Chairman)*
Mr. LIU Guoyao

Independent Non-Executive Directors

Mr. ZHOU Yaoming
Mr. LIN Jian
Mr. TSAO Hoi Ho
Mr. LOU Iok Kuong
Mr. LEUNG Ka Chun

AUDIT COMMITTEE

Mr. TSAO Hoi Ho *(Chairman of the Audit Committee)*
Mr. LOU Iok Kuong
Mr. LEUNG Ka Chun
Mr. ZHOU Yaoming
Mr. LIN Jian

REMUNERATION COMMITTEE

Mr. TONG Kit Shing
Mr. TSAO Hoi Ho
Mr. LOU Iok Kuong
Mr. LEUNG Ka Chun
Mr. ZHOU Yaoming *(Chairman of the Remuneration Committee)*
Mr. LIN Jian

NOMINATION COMMITTEE

Mr. TONG Kit Shing
Mr. TSAO Hoi Ho
Mr. LOU Iok Kuong
Mr. LEUNG Ka Chun
Mr. ZHOU Yaoming
Mr. LIN Jian *(Chairman of the Nomination Committee)*

CHIEF EXECUTIVE OFFICER

Mr. LIU Guoyao

COMPANY SECRETARY

Mr. FUNG Kwok Leung

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

AUDITORS

KTC Partners CPA Limited

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

13/F Public Bank Centre
120 Des Voeux Road Central
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
26/F, Tesbury Centre
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
Uni-Bio Science Group Limited

Chairman's Statement

FINAL RESULTS

During the year under review, the Company (together with its subsidiaries, the "Group") recorded a consolidated turnover of HK$148,286,000 representing a decrease of 71.8% compared with HK$526,270,000 recorded in the last financial year. The gross profit was HK$77,212,000 representing a decrease of 76.3% as compared with HK$325,275,000 recorded in the last financial year. The Group recorded a net loss of approximately HK$454,653,000 for the year ended 31 March 2010 compared to a net loss of approximately HK$508,323,000 in the 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 increasing material and operating costs, as well as increasing competition. In order to tackle the fluctuation in the financial market, we have adopted prudent business and financial management policy to ensure that we maintain adequate working capital to finance our operations. As a result of the said healthcare reform, drugs are required to be process in "one continuous line". Such requirements rendered production of chemical pharmaceutical products a very heavy investment business. The Group 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$83,847,000 with segment results of HK$(27,427,000) for the year ended 31 March 2010. The turnover and segment results of corresponding period was HK$245,183,000 and HK$41,383,000 respectively. The decrease was mainly due to increased competition and loss of customers who were solicited by some ex-staff. Sales of rhEGF products distributed for Shenzhen Watsin Genetech Company Limited ("Shenzhen Watsin") was classified under "in-house biological pharmaceutical products".

In-house biological pharmaceutical products

The sales of rhEGF products achieved a turnover of HK$54,021,000 and a segment results of HK$(86,885,000) for the year ended 31 March 2010. The turnover and segment results of last year were HK$223,842,000 and HK$(162,219,000) respectively. The reported figure for segment results of in-house biological pharmaceutical products was affected by the research and development expenditure of HK$44,466,000 (2009: HK$227,303,000) and impairment loss on goodwill of HK$0 (2009: 23,129,000). During 2010, an amount of HK$150,262,000 development costs were capitalized as intangible assets to reflect the development breakthrough in four of the Group's self-developed projects. The Group expects that these four projects will bring the Group into a profitable position in the near future.

In-house chemical pharmaceutical products

This division achieved a turnover of HK$10,418,000 with segment results of HK$(257,940,000) for the year ended 31 March 2010. The turnover and segment results were HK$57,245,000and HK$(320,732,000) 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 impairment loss on other receivable of HK$24,759,000 (2009: HK$92,973,000); impairment loss on intangible assets of HK$123,969,000 (2009: HK$2,177,000) and property, plant and equipment written off of HK$22,215,000 (2009: HK$12,891,000).

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.

BUSINESS REVIEW *(Continued)*

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). Results had been encouraging during the year under review. The Phase III clinical trial of rExendin-4 and rhPTH 1-34 had commenced and the progress is very satisfactory. The Group is now in the preparation of commercialize the products while the production plant in Beijing is undergoing renovation to facilitate the expected commencement of production in the middle of 2011. Also, rhIL-11 had commenced its Phase III clinical trial during the period under review.

PROSPECTS

The Group has continuously strengthened its management team which has been committed to rationalizing and reengineering 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.

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

30 August 2010

Management Discussion and Analysis

During the year under review, the Company (together with its subsidiaries, the "Group") recorded a consolidated turnover of HK$148,286,000 representing a decrease of 71.8% compared with HK$526,270,000 recorded in the last financial year. The gross profit was HK$77,212,000 representing a decrease of 76.3% as compared with HK$325,275,000 recorded in the last financial year. The Group recorded a net loss of approximately HK$454,653,000 for the year ended 31 March 2010 compared to a net loss of approximately HK$508,323,000 in the 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.

During the period under review, impairment loss of intangible assets of HK$123,969,000; impairment loss of other receivable, deposits and prepayments of HK$24,877,000; impairment loss on goodwill of HK$30,510,000 and written off of property, plant and equipment of HK$22,215,000 were recognised as a result of re-assessment of the Group's asset portfolio.

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.

Distribution of pharmaceutical products

This division achieved a turnover of HK$83,847,000 with segment results of HK$(27,427,000) for the year ended 31 March 2010. The turnover and segment results of corresponding period was HK$245,183,000 and HK$41,383,000 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") was classified under "in-house biological pharmaceutical products".

In-house biological pharmaceutical products

The sales of rhEGF products achieved a turnover of HK$54,021,000 and a segment results of HK$(86,885,000) for the year ended 31 March 2010. The turnover and segment results of last year were HK$223,842,000 and HK$(162,219,000) respectively. The reported figure for segment results of in-house biological pharmaceutical products was affected by the increase in research and development of HK$44,466,000 (2009: HK$227,303,000) and impairment loss on goodwill of HK$0 (2009: 23,129,000). During 2010, an amount of HK$150,262,000 development costs were capitalized as intangible assets to reflect the development breakthrough in four of the Group's self-developed projects. The Group expects that these four projects will bring the Group into a profitable position in the near future.

Business Review and Prospect *(Continued)*

In-house chemical pharmaceutical products

This division achieved a turnover of HK$10,418,000 with segment results of HK$(257,940,000) for the year ended 31 March 2010. The turnover and segment results were HK$57,245,000 and HK$(320,732,000) 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 impairment loss on other receivable of HK$24,759,000 (2009:HK$92,973,000); impairment loss on intangible assets of HK$123,969,000 (2009:HK$2,177,000) and Property, plant and equipment written off of HK$22,215,000 (2009:HK$12,891,000).

Research Platforms

The Group has developed several pharmaceutical R&D technology platforms and are continuously improving them. These include E.coli expression system, Pichia Yeast expression system, Mammalian cell expression system, E.coli constitutive secretion system, Gene therapy drug development system and Gene targeting system. Recently the PRC Government changed its policy as to tighten the assessment and approval requirements and procedures for chemical medicines. While the relative profitability in the chemical medicine field is lower and now even worse, the Group has quickly responsed to the changes as to stop its further development in chemical products in pipeline, including CTP-5, and concentrate its resources in developing its pipeline of innovative biological pharmaceutical products which are more promising. Progress of these innovative projects had been very encouraging.

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 is 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.

Research Platforms *(Continued)*

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

The Group is currently engaging in the development of a number of new patent protected Class I & II prescription drugs. The Class I prescription drugs include Recombinant Exendin-4 (rExendin-4), Recombinant Human Erythropoletin-Fc (rhEPO-Fc), and the Class II prescription drugs include Recombinant Human Parathyroid Hormone 1-34 (rhPTH 1-34). The Group achieved progresses in various key projects, in particular considerable progresses were made on Recombinant Exendin-4 (rExendin-4) and Recombinant Human Parathyroid Hormone 1-34 (rhPTH 1-34). Over half of the Phase III clinical trial work in Exendin-4 was completed with respect to the classification of all patients. At the same time, commercialization were commenced for these two projects. Data regarding the interim testing on the drugs for these two projects were collected and analysed. All data derived from interim testing were submitted to Beijing Genetech Pharmaceutical Co., Ltd., which is a subsidiary of the Group. Beijing Genetech Pharmaceutical Co., Ltd. also commenced the construction of plants according to such data in full force. Design for civil construction was completed. Tendering work for major equipment was completed. It is expected that construction work will commence in October 2010 and the construction of the main structure will be completed by December. Preparation for GMP certification will commence by May 2011. Another prescription drug under Class II, namely, Recombinant Human Interleukin 11 (rhIL-11) is undergoing Phase III clinical trial work. As the State enhanced the standard for classification of patients, clinical trial for rhIL-11 is still under progress.

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 and has completed the sub-division work of trial patients.

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.

Product Development *(Continued)*

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.

As a Class I prescription drugs Recombinant Human Erythropoletin-Fc (rhEPO-Fc) has completed all pre-clinical trial, and has submitted an application to the State Administration for Food and Drugs for clinical trial. Two rounds of supplementary information were filed to support the application. It is now pending the approval from the State Administration for Food and Drugs so as to commence clinical trials on human beings in the next phase.

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 middle 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.

Product Development *(Continued)*

As the State enhanced the standard for classification of patients, clinical trial is still under progress and may need to postpone the time for launching.

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.

The Group has commenced the Phase III clinical trial for rhPTH 1-34 on April 2009. Over half of the Phase III clinical trial work was completed with respect to the classification of all patients. Data regarding the interim testing on the drugs were collected and analysed.

Research and development projects at pre-clinical state

Apart from above, the Group also conduct research and development on other new drugs. For example, IL-4, a class I prescription drugs in the pipeline and is very effective in the treatment of asthma. The market for IL-4 is expected to be promising.

Another one is FSH, a drug used for healing women sterility (or infecundity), which is now a very hot topic for the pharmaceutical industry. Apart from economic benefit that might be brought to the Group, the FSH would contribute a lot to society as a whole.

The Group will closely monitor the market and once favourable conditions appear, the Group will start the corresponding research and development works in full force.

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 2010, the Group's bank deposits, bank balances and cash amounted to HK$62,943,000 and bank and other borrowings amounted to HK$32,075,000. At 31 March 2010, the Group has total assets of approximately HK$1,110,870,000, current assets of the Group at 31 March 2010 amounted to approximately HK$154,745,000 while current liabilities were HK$86,212,000. The gearing ratio, calculated by dividing the total debts over its total assets, was 6.0%.

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% (2009: 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.

	2010 **RMB** **HK$'000**	2009 RMB HK$'000
Profit for the year and retained profits	**163**	7,959

A 5% appreciation in the group entities' reporting 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 2009.

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 2010, leasehold building, leasehold land and land use rights and investment properties with an aggregate netbook value of HK$28,710,000 had been pledged to the Group's bankers for banking facilities granted to the Group.

At 31 March 2010, the Group did not have any material contingent liabilities.

Employment and Remuneration Policy

At 31 March 2010, the Group employed approximately 400 staff, including approximately 50 staff in the PRC R&D centres, approximately 200 staff in total in the PRC sales offices, approximately 140 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.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. TONG Kit Shing, aged 49, 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 2010, 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 46, has extensive experience in the management and business administration of entities in the PRC. As at 31 March 2010, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIN Jian, aged 74, 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. ZHOU Yaoming, aged 74, 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.

Mr. TSAO Hoi Ho, aged 45, is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants, an associate of The Institute of Chartered Secretaries and Administrators, an associate of the Australasian Institute of Banking & Finance, a member of the Institute of Chartered Accountants of New Zealand and an associate of the Bankers' Institute of New Zealand. Mr. Tsao graduated from the University of Warwick with a Master of Business Administration degree. He has over 20 years' extensive experience in auditing, corporate finance and company secretarial practice. He has worked for international accounting firms for 5 years and is currently the financial controller, company secretary and authorized representative of Ningbo Yidong Electronic Company Limited, a joint stock limited company incorporated in the People's Republic of China whose shares are listed on the Growth Enterprise Market of the Stock Exchange.

Mr. LOU Iok Kuong, aged 40, is a Hong Kong lawyer having over 16 years of extensive experience in the profession. He was admitted as a solicitor in Hong Kong in 1995. He holds a Master degree in Business Administration from the Chinese University of Hong Kong and a Bachelor of Laws degree from The University of Hong Kong. Mr. Lou is an honorary Legal Advisor of the Hong Kong SAR Government Drivers' Union; the Government Chauffeurs Union and The Hong Kong Allergy Association. Mr. Lou had worked for several law firms as a solicitor or a consultant and currently Mr. Lou is a Partner of Edward Lau, Wong & Lou.

Mr. LEUNG Ka chun, aged 32, has over 10 years of working experience in legal profession and commerce especially in the marketing and management field. Mr. Leung holds a Law Diploma from The University of Hong Kong and a China Law Diploma from The Chinese University of Hong Kong. Mr. Leung is currently a senior executive of a law firm. Mr. Leung is also experienced in the bio-chemical and environmental industry. He is a director of Fitwell Development Limited ("Fitwell"), a private company incorporated in the British Vergin Islands. Fitwell specializes in recycling of wasted oil, production and marketing of bio-diesel.

SENIOR MANAGEMENT

Mr. FUNG Kwok Leung, aged 45, holds an Honour Degree in Accountancy from the Hong Kong Polytechnic University, is a fellow member of both of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has over 20 years of extensive experience in accounting and related fields.

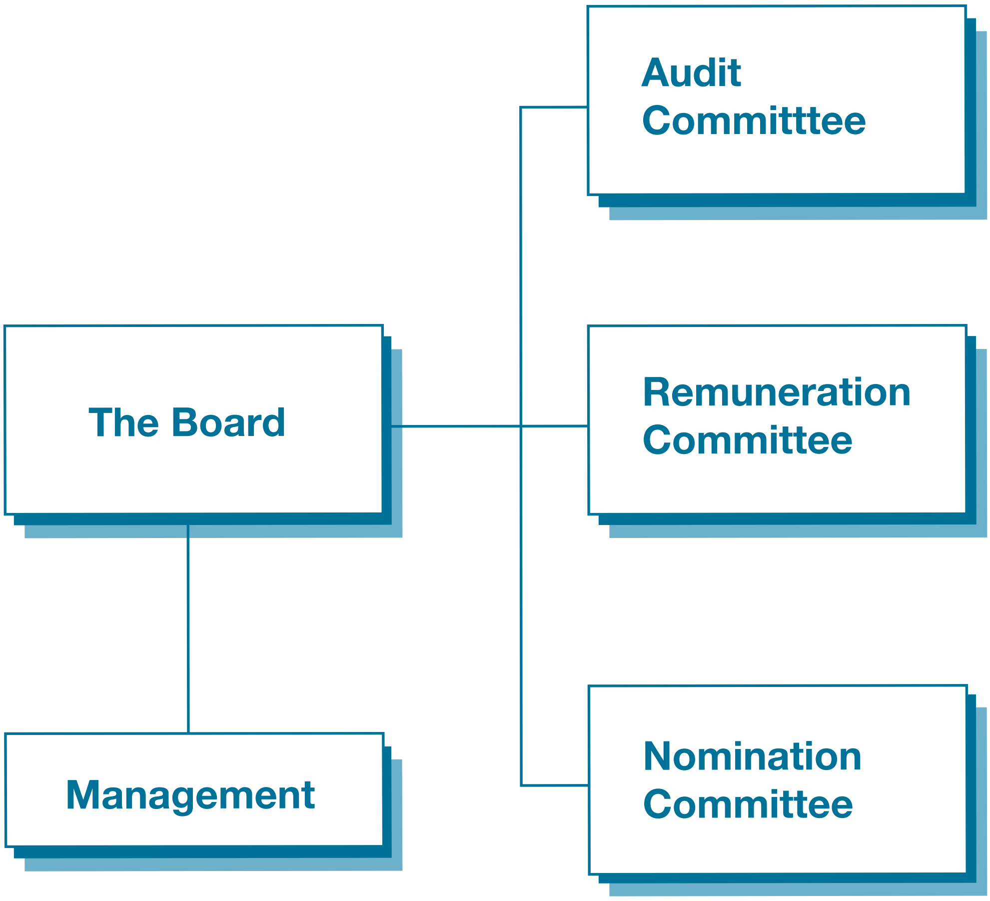
Corporate Governance Report

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 2009/2010, 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 seven members, including two executive directors, one of the being the Chairman and five independent nonexecutive 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, three of the five independent non-executive Directors are 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 Mr. LIU Guoyao 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. 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 OF DIRECTORS *(Continued)*

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

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

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

We summarised below the attendance of individual Directors to the 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 (resigned 4 September 2009)	2/2
Independent Non-executive Directors	
ZHOU Yaoming	4/4
LIN Jian	4/4
SO Yin Wai (resigned 15 March 2010)	2/2
TSAO Hoi Ho	2/2
LOU Iok Kuong	2/2
LEUNG Ka Chun	2/2

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 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 2010.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") was established in 2001. The current members of the Audit Committee are Mr. TSAO Hoi Ho (Chairman), Mr. ZHOU Yaoming, Mr. LIN Jian, Mr. LOU Iok Kuong, and Mr. LEUNG Ka Chun, all being independent non-executive Directors. Mr. ZHOU Yaoming and Mr. Lin Jian are appointed to the Audit Committee since 13 October 2005 while Mr. LOU Iok Kuong, and Mr. LEUNG Ka Chun were appointed on 25 June 2010. Mr. TSAO Hoi Ho was appointed on 7 May 2010 and 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.

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**
TONG Kit Shing	2/2
LIU Guoyao	2/2
CHENG Wai Man	1/1
ZHOU Yaoming	1/2
LIN Jian	1/2
SO Yin Wai (resigned 15 March 2010)	1/1
LOU Iok Kuong	1/1
LEUNG Ka Chun	1/1
TSAO Hoi Ho *(Chairman)*	1/1

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 2010 comprised Mr. TONG Kit Shing, Mr. CHENG Wai Man, Mr. ZHOU Yaoming (Chairman) Mr. LIN Jian, Mr. TSAO Hoi Ho, Mr. LOU Iok Kuong and Mr. LEUNG Ka Chun. 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	1/1
SO Yin Wai	1/1
TSAO Hoi Ho	1/1
LOU Iok Kuong	1/1
LEUNG Ka Chun	1/1
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 2010 comprised Mr. TONG Kit Shing, Mr. ZHOU Yaoming, Mr. LIN Jian (Chairman), Mr. TSAO Hoi Ho, Mr. LOU Iok Kuong and Mr. LEUNG Ka Chun.

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.

NOMINATION COMMITTEE *(Continued)*

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	1/1
SO Yin Wai	1/1
ZHOU Yaoming	2/2
TSAO Hoi Ho	1/1
LOU Iok Kuong	1/1
LEUNG Ka Chun	1/1
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$1,100,000 for auditing services by KTC Partners CPA Limited in respect of the year ended 31 March 2010.

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 2010, 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 2010.

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.

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 2010.

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 14 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2010 are set out in the consolidated statement of comprehensive income on pages 31-32.

DIVIDEND

The Directors do not recommend the payment for a dividend for the year ended 31 March 2010.

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:

	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (restated)
Results					
Profit/(loss) attributable to shareholders	**(454,653)**	(508,323)	198,380	60,322	(42,446)
Assets and liabilities					
Total assets	**1,110,870**	1,447,591	1,866,048	1,299,447	138,809
Total liabilities	**86,212**	(158,544)	(208,797)	(229,017)	(105,205)
Shareholders' funds	**1,024,658**	1,289,047	1,657,251	1,070,430	33,604

SHARE CAPITAL AND RESERVES

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

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

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 2010, the aggregate amount of the Company's reserves available for distribution to shareholders was approximately HK$1,062,056,000 (2009: HK$399,337,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 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 (resigned 4 September 2009)

Independent Non-Executive Directors

Mr. ZHOU Yaoming
Mr. LIN Jian
Mr. TSAO Hoi Ho, Terry (appointed 7 May 2010)
Mr. LOU Iok Kuong (appointed 25 June 2010)
Mr. LEUNG Ka Chun (appointed 25 June 2010)
Mr. SO Yin Wai (resigned 15 March 2010)

In accordance with article 87(1) of the Company's articles of association, Mr. TONG Kit Shing and Mr. LIU Guoyao 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 pages 13-14 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 2010, 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/ Number of associated corporation**	**Capacity**	**Name of issued securities(L)** *(Note 1)*	**Appropriate percentage of shareholding**
TONG Kit Shing	The Company	Interest of a controlled corporation *(Note 2)*	368,161,160 shares of HK$0.01 each *(Note 3)*	28.21% *(Note 3)*
LIU Guoyao	The Company	Interest of a controlled corporation *(Note 2)*	368,161,160 shares of HK$0.01 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 1,304,846,293 Shares in issue as at 31 March 2010.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

To the best knowledge of the Directors after making reasonable enquiry, as at 31 March 2010, 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	368,161,160 shares of HK$0.01 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 1,304,846,293 Shares in issue as at 31 March 2010

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 2010.

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 23% (2009: 24%) of the Group's total sales for the year while the single largest customer accounted for approximately 7% (2009: 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 78% (2009: 89%) of the Group's total purchases for the year and the single largest supplier accounted for approximately 31% (2009: 27%) 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 2010, the Group had no material contingent liabilities.

RETIREMENT BENEFITS SCHEMES

Particulars of the retirement benefits schemes of the Group are set out in note 2 to the financial statements.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Except as disclosed in note 31 to the financial statements, the Company had no outstanding convertible securities, options, warrants or instruments carrying other similar rights as at 31 March 2010.

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 2010, 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.

SHARE OPTIONS *(Continued)*

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 parttime 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.

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 31 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 22 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 five independent non-executive Directors (namely Mr. TSAO Hoi Ho (chairman), Mr. ZHOU Yaoming, Mr. LIN Jian, Mr. LOU Iok Kuong and Mr. LEUNG Ka Chun) had reviewed with the auditors and the management of the Company the audited results of the Group for the year ended 31 March 2010, 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.

KTC Partners CPA Limited
Certified Public Accountants (Practising)
和信會計師事務所有限公司

Tel 電話: (852) 2770 8232 Fax 傳真: (852) 2770 8378
E-mail 電子郵箱: info@ktccpa.com.hk
Room 501, 502 & 508, 5/F., Mirror Tower,
61 Mody Road, Tsimshatsui East, Kowloon, Hong Kong
香港九龍尖沙咀東部麼地道61號冠華中心五樓501, 502及508室

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") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 102, which comprise the consolidated and the Company statements of financial position as at 31 March 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 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.

AUDITORS' RESPONSIBILITY

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

Except for the limitation in the scope of our work as explained below, 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.

BASIS FOR QUALIFIED OPINION

(i) We were initially appointed auditors subsequent to the end of the Group's financial year. In consequence we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the quantities and condition of inventories appearing in the consolidated statement of financial statements at approximately HK$4,274,000. There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the existence of inventories.

(ii) The Group has not recognised any deferred tax liabilities/assets for the year ended 31 March 2010 and as at 31 March 2010. Due to the insufficient information provided to us, we have not been able to satisfy ourselves as to whether the deferred tax liabilities/assets were properly accounted for and disclosed in accordance with Hong Kong Accounting Standard 12 "Income Taxes" ("HKAS 12") issued by the HKICPA. It is not practicable for us to quantify the effects of the departure from the HKAS 12.

Any adjustments found to be necessary in respect of the above matters would affect the Group's loss for the year and net assets at 31 March 2010, and the related disclosures in the financial statements.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2010 and of the Group's results 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.

EMPHASIS OF MATTER IN RELATION TO THE GOING CONCERN BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

Without qualifying our opinion, we draw attention to note 2(b) to the financial statements which indicates that the Group incurred a loss attributable to owners of the Company of approximately RMB454,653,000 for the year ended 31 March 2010 and, as of that date, the Group had significant accumulated losses of approximately HK$722,716,000. These conditions, along with other matters as set forth in note 2(b) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

KTC Partners CPA Limited
Certified Public Accountants (Practising)
Date: 30 August 2010

Chow Yiu Wah, Joseph
Practising Certificate Number : P4686
Hong Kong

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Turnover	5	**148,286**	526,270
Cost of sales		**(71,074)**	(200,995)
Gross profit		**77,212**	325,275
Other revenue and net income	6	**5,497**	8,441
Selling and distribution expenses		**(36,021)**	(96,400)
General and administrative expenses		**(162,937)**	(344,637)
Other expenses		**–**	(893)
Impairment loss on trade receivables		**(83)**	(20,486)
Impairment loss on goodwill		**(30,510)**	(193,626)
Impairment loss on other receivables, deposits and prepayments		**(24,877)**	(108,882)
Impairment loss on leasehold land and land use rights		**–**	(2,727)
Impairment loss on intangible assets		**(123,969)**	(2,177)
Impairment loss on property, plant and equipment		**(22,215)**	(16,895)
Change in fair value of investment properties		**–**	(489)
Loss on disposal of intangible assets		**(13,159)**	–
Loss on disposal of property, plant and equipment		**(47,434)**	–
Property, plant and equipment written off		**(65,572)**	(750)
Inventories written off		**(3,062)**	–
Loss from operating		**(447,130)**	(454,246)
Finance costs	7(a)	**(2,455)**	(967)
Share of loss or profit of associates		**(886)**	1
Loss before taxation	7	**(450,471)**	(455,212)
Income tax	8	**(4,182)**	(53,111)
Loss for the year		**(454,653)**	(508,323)
Other comprehensive income			
Exchange differences arising on translation of financial statements of foreign entities		**8,986**	31,683
Total comprehensive loss for the year		**(445,667)**	(476,640)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	Note	**2010 HK$'000**	2009 HK$'000
Loss attributable to:			
Owners of the Company		**(454,653)**	(476,640)
Total comprehensive loss attributable to:			
Owners of the Company		**(445,667)**	(476,640)
Loss per share			
Basic (cents per share)		**(8.00)**	(6.11)
Diluted (cents per share)		**(7.90)**	(6.11)

The notes on pages 39 to 102 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current Assets			
Property, plant and equipment	15	**239,131**	417,822
Investment properties	16	**4,925**	4,920
Leasehold land and land use rights	17	**22,188**	23,718
Goodwill	18	**349,416**	379,926
Intangible assets	19	**327,132**	318,610
Interests in associates	21	**13,333**	9,980
		956,125	1,154,976
Current Assets			
Leasehold land and land use rights	17	**1,597**	1,641
Inventories	22	**4,274**	8,570
Trade receivables	23	**14,288**	161,307
Other receivables, deposits and prepayments	24	**71,643**	71,088
Cash and cash equivalents	25	**62,943**	50,009
		154,745	292,615
Current Liabilities			
Trade payables	26	**13,169**	18,147
Accrued charges and other payables		**16,143**	55,985
Amounts due to directors	27	**5,928**	12,072
Amounts due to associates	27	**18,442**	–
Tax payables		**455**	20,294
Bank loans	28	**15,355**	26,705
Other borrowings	28	**16,720**	10,000
		86,212	143,203
Net current assets		**68,533**	149,412
Total assets less current liabilities		**1,024,658**	1,304,388
Non-current liabilities			
Bank loans	28	**–**	15,341
Net assets		**1,024,658**	1,289,047

Consolidated Statement of Financial Position

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Capital and reserves attributable to owners of the Company			
Share capital	29	**13,048**	869,898
Reserves	30	**1,011,610**	419,149
Total equity		**1,024,658**	1,289,047

Approved and authorised for issue by the board of directors on 30 August 2010 and are signed on its behalf by :

Tong Kit Shing
Director

Liu Guoyao
Director

The notes on pages 39 to 102 form part of these financial statements.

Statement of Financial Position

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Investments in subsidiaries	20	**–**	–
Current assets			
Amounts due from subsidiaries	20	**1,089,592**	1,291,068
Other receivables, deposits and prepayments	24	**207**	465
Cash and cash equivalents	25	**36,201**	419
		1,126,000	1,291,952
Current liabilities			
Accrued charges and other payables		**322**	3,898
Amounts due to directors	27	**2,427**	6,968
		2,749	10,866
Net current assets		**1,123,251**	1,281,086
Total assets less current liabilities		**1,123,251**	1,281,086
Net assets		**1,123,251**	1,281,086
Capital and reserves attributable to owners of the Company			
Share capital	29	**13,048**	869,898
Reserves	30	**1,110,203**	411,188
TOTAL EQUITY		**1,123,251**	1,281,086

Approved and authorised for issue by the board of directors on 30 August 2010 and are signed on its behalf by :

Tong Kit Shing
Director

Liu Guoyao
Director

The notes on pages 39 to 102 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Attributable to owners of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Capital reserve** HK$'000	**Statutory reserve** HK$'000	**Share-based payments reserve** HK$'000	**Distributable reserve** HK$'000	**Exchange reserve** HK$'000	**(Accumulated losses)/ Retained profits** HK$'000	**Total** HK$'000
At 31 March 2008 and 1 April 2008	804,069	488,038	(267)	6,289	22,061	–	96,801	240,260	1,657,251
Total comprehensive (loss)/ income for the year	–	–	–	–	–	–	31,683	(508,323)	(476,640)
Issue of shares – exercise of share options	13,295	16,341	–	–	–	–	–	–	29,636
– transfer from share-based payments reserve	–	10,210	–	–	(10,210)	–	–	–	–
Issue of shares – debts capitalisation	52,534	26,266	–	–	–	–	–	–	78,800
	65,829	52,817	–	–	(10,210)	–	31,683	(508,323)	(368,204)
At 31 March 2009 and 1 April 2009	869,898	540,855	(267)	6,289	11,851	–	128,484	(268,063)	1,289,047
Total comprehensive (loss)/ income for the year	–	–	–	–	–	–	8,986	(454,653)	(445,667)
Issue of shares – open offer	144,982	–	–	–	–	–	–	–	144,982
– bonus issue	289,966	(289,966)	–	–	–	–	–	–	–
Equity settled share-based payment transaction	–	–	–	–	36,296	–	–	–	36,296
Capital reorganization	(1,291,798)	–	–	–	–	1,291,798	–	–	–
	(856,850)	(289,966)	–	–	36,296	1,291,798	8,986	(454,653)	(264,389)
At 31 March 2010	**13,048**	**250,889**	**(267)**	**6,289**	**48,147**	**1,291,798**	**137,470**	**(722,716)**	**1,024,658**

Note: The distributable reserve represents credit arising from Capital Reorganization effected by the Company during the year ended 31 March 2010.

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(450,471)**	(455,212)
Adjustments for:		
Amortization of intangible assets	**43,247**	48,760
Amortization of leasehold land and land use rights	**1,596**	1,820
Depreciation	**44,534**	53,614
Equity settled share-based payment expenses	**36,296**	–
Interest expenses	**2,455**	967
Interest income	**(226)**	(641)
Share of loss or profit of associates	**886**	1
Loss on disposal of property, plant and equipment	**47,434**	750
Impairment loss on trade receivables	**83**	20,486
Impairment loss on goodwill	**30,510**	193,626
Impairment loss on other receivables, deposits and prepayments	**24,877**	108,882
Impairment loss on property, plant and equipment	**22,215**	16,895
Impairment loss on intangible assets	**123,969**	2,177
Impairment loss on leasehold land and land use rights	**–**	2,727
Change in fair value of investment properties	**–**	489
Loss on disposal of intangible assets	**13,159**	–
Property, plant and equipment written off	**65,572**	–
Inventories written off	**3,062**	–
Effect of foreign exchange rate changes	**7,984**	78,238
Operating cash flows before movements in working capital	**17,182**	73,212
Movement in:		
Decrease in inventories	**1,234**	545
Decrease in trade and other receivables, deposits and prepayments	**121,730**	126,094
(Decrease)/increase in amounts due to directors	**(6,144)**	9,065
Increase in amount due to associates	**18,442**	–
(Decrease)/increase in trade payables, accrued charges and other payables	**(44,820)**	30,339
Cash generated from operations	**107,624**	239,255
Interest paid	**(2,455)**	(967)
Income taxes paid	**(24,021)**	(165,113)
Net cash generated from operating activities	**81,148**	73,542

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
INVESTING ACTIVITIES		
Net cash outflow from acquisition of an associate	**(3,980)**	–
Purchase of property, plant and equipment	**(1,003)**	(136,948)
Proceeds from disposal of property, plant and equipment	**341**	1,739
Purchase of intangible assets	**(190,715)**	–
Proceeds from disposal of intangible assets	**1,867**	–
Interest received	**226**	641
Net cash used in investing activities	**(193,264)**	(134,568)
FINANCING ACTIVITIES		
New borrowing raised from other borrowings	**16,720**	–
New borrowing raised from bank loans	**–**	42,046
Repayment of bank and other borrowings	**(36,691)**	–
Proceeds from issue of new shares	**144,982**	–
Proceeds from issue of shares by exercise of share options	**–**	29,636
Net cash generated from financing activities	**125,011**	71,682
Net increase in cash and cash equivalents	**12,895**	10,656
Cash and cash equivalents at beginning of year	**50,009**	38,353
Effect of changes in foreign exchange rate	**39**	1,000
Cash and cash equivalents at end of year	**62,943**	50,009

1. GENERAL INFORMATION

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 13/F, Public Bank Building, 120 Des Voeux Road Central, Central, Hong Kong.

The principal activities of the Company are investment holding and its subsidiaries are principally engaged in bioscience related business (with focus on the research, development and commercialisation of biopharmaceuticals through recombinant DNA and other technologies); the manufacture, sale and trading of pharmaceutical products.

The consolidated financial statements are presented in Hong Kong dollars, which is different from the functional currency of the Group, being Renminbi ("RMB"). As the Company is a public company with the shares listed on the Hong Kong Stock Exchange with most of its investors located in Hong Kong, the directors consider that Hong Kong dollars is preferable in presenting the operating results and financial position of the Group.

Trading in the Shares on the Stock Exchange has been suspended since 9 March 2010 at the request of the Securities and Futures Commission in Hong Kong (the "SFC") pursuant to sub-Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules (subsidiary legislation V of Chapter 571 of the Laws of Hong Kong).

As set out in the Company's announcements dated 24 March 2010 and 23 June 2010, the Independent Commission against Corruption ("ICAC") executed a search warrant at the Company's premises and seized certain property/ documents. Two of the Company's accounting staff (one of whom is the Company's Chief Financial Officer and Company Secretary who resigned on 1 May 2010) were arrested by the ICAC and subsequently released on bail. The Chairman and executive director of the Company, Mr. Tong Kit Shing, was arrested by the ICAC and subsequently released unconditionally. To the best of the knowledge, information and belief of the Company and based on the information available to the Company as at the date of this report, no other director and/or employee of the Company has been arrested; and no charge has been laid by the ICAC against the Company, or any of the Company's subsidiaries, directors and/or employees. The Company confirms that the incident and investigation have no material adverse impact on the daily operation of the Company and its subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("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 of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for current accounting period of the Group and the Company. Note 3 provides information on the changes in accounting policies resulting from initial application of these developments to the extent they are relevant to the Group for the current and prior accounting periods reflect in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2010 comprise the Company and its subsidiaries (collectively referred to as the "Group").

The Group incurred a loss for the year attributable to owners of the Company of approximately HK$454,653,000 and had significant accumulated losses approximately HK$722,716,000 as at 31 March 2010. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial supports from the substantial shareholders to cover the Group's operating costs and meet its financial commitments. The substantial shareholders have confirmed their intention and ability to provide continuing financial support to the Group so as to enable it to meets its liabilities as and when they fall due and to carry on its business for the foreseeable future.

In light of the measures described above, the directors are confident that the Group will have sufficient working capital to meet its financial obligation as and when they fall due. Accordingly, the directors are of opinion that it is appropriate to prepare these financial statements on a going concern basis. These financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

The measurement basis used in the preparation of the financial statements is the historical cost basis except the following assets which are stated at their fair value as explained in the accounting policies set out below:

The preparation of financial statements are 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 other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments 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 major sources of estimation uncertainty are discussed in note 4.

2. 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.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)).

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 associates are carried in the consolidated statement of financial position 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

d) Associates *(Continued)*

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.

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.

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 allocated to cash generating units and is tested annually for impairment (see note 2(k)).

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 or an investment in an associate or a jointly controlled entity is recognised immediately in profit or loss.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows :

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of the reporting period, the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the statement of financial position at amortised cost less impairment losses (see note 2(k)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(k)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At the end of the reporting period, the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (see note 2(k)) and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group and or the Company commits to purchase/ sell the investments or they expire.

g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(t)(ii).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

g) Investment properties *(Continued)*

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(i).

h) Property, plant and equipment

The following items of property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(k)):

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(i)); and

– other items of plant and equipment.

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 2(v)).

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 profit or loss on the date of retirement or disposal.

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:

–	Building held for own use	5%
–	Leasehold improvements	5-18%
–	Plant and machinery	6.6-20%
–	Furniture, fixtures and equipment	10-20%
–	Motor vehicles	15-20%

Where parts of an item of property, plant equipment have different useful lives, the cost 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the 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, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(g)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

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 fixed assets 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 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(k). Finance charges implicit in the lease payments are charged to profit or loss 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 profit or loss in the accounting period in which they are incurred.

iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss 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 except where the property is classified as an investment property (see note 2(g)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

j) 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 2(v)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(k)). 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 statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(k)). 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 profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– patents 10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. 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.

k) Impairment of assets

i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of the reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

k) Impairment of assets *(Continued)*

i) Impairment of investments in debt and equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

ii) Impairment of other assets

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

– property, plant and equipment (other than properties carried at revalued amounts);
– pre-paid interests in leasehold land classified as being held under an operating lease;
– intangible assets;
– investments in subsidiaries;
– investments in associates; and
– goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

k) Impairment of assets *(Continued)*

ii) Impairment of other assets (Continued)

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 fair value less costs to sell 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 the 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).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if 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 profit or loss in the year in which the reversals are recognised.

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, *interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2 (k)(i) and (ii)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs 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.

m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

n) Interest-bearing borrowings

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

o) Trade and other payables

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

p) Cash and cash equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

q) Employee 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 capital reserve within equity. The fair value is measured at grant date using the Black-Scholes-Metron 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 resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital 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 capital 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 capital 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.

r) 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 profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

r) Income tax *(Continued)*

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 include those that will arise from the reversal of existing taxable 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 differences, 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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

s) Financial guarantees issued, provisions and contingent liabilities

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

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

t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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 profit or loss as follows:

(i) *Sale of goods*

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

(ii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in statement of comprehensive income 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 statement of comprehensive income 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.

(iii) *Dividends*

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) *Interest income*

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

(v) *Service income*

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

t) Revenue recognition *(Continued)*

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

u) 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 end of reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a 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. The statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 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 relating to that foreign operation is reclassified from statement of change in equity to statement of comprehensive income when the profit or loss on disposal is recognised.

v) Borrowing costs

Borrowing costs that are 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 are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

w) Related parties

For the purposes of these financial statements, a party is 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 (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.

x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 8, Operating segments

HKAS 1 (revised 2007), Presentation of financial statements

The "Improvements to HKFRSs (2008)"

Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate

HKAS 23 (revised 2007), Borrowing costs

Amendments to HKFRS 2, Share-based payment – vesting conditions and cancellations

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

– HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters and more consistent with internal reporting provided to the Group's most senior executive management. As the Group's internal reporting to the Group's chief operating decision maker is disaggregated into segments based on business lines and on geographical areas, the adoption of HKFRS 8 has had no material impact on the general presentation of segment information.

– As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

3. CHANGE IN ACCOUNTING POLICIES *(Continued)*

- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following two amendments have resulted in changes to the Group's accounting policies:

  - As a result of amendments to HKAS 28, Investments in associates, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

  - As a result of amendments to HKAS 40, *Investment property*, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the Group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the periods presented.

  - The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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) Impairment of property, plant and equipment

This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test. The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists.

b) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment. The Group will revise the depreciation charge where useful lives and residual values are different to previous estimates, or will write off or write down technically obsolete or on-strategic assets that have been abandoned or sold.

c) Investment properties

The fair values of investment properties are determined by the Group's management on an open market basis.

In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the end of the reporting period and appropriate capitalisation rates. These estimates are regularly compared to actual market date and actual transactions entered into by the Group.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

d) 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 2(e). The recoverable amounts of cash generating units are determined based on its fair value or 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.

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) Inventories

The Group performs regular review of the carrying amounts of inventories with the 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.

g) Impairment of receivables

The policy for impairment on receivables of the Group is based on the evaluation of collectability ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

h) Taxation

The Group is subject to income taxes in Mainland China. Judgement is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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

As described in note 31, 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 value 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, 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 31.

5. 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).

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 14 to the financial statements.

6. OTHER REVENUE AND NET INCOME

	2010	2009
	HK$'000	HK$'000
Interest income	**226**	641
Rental income	**512**	180
Government grants for research and development project and sundry income	**1,171**	7,620
Exchange loss, net	**(5)**	–
Sundry income	**3,367**	–
Reversal of impairment on trade receivables	**226**	–
	5,497	8,441

7. LOSS BEFORE TAXATION

		2010 HK$'000	2009 HK$'000
a)	Finance costs		
	Interest and expenses on bank advances and other bank borrowings wholly repayable within five years	2,323	367
	Other borrowing costs	132	600
	Total borrowing costs	2,455	967
b)	Staff costs (including directors' emoluments)		
	Contributions to defined contribution retirement plans	438	1,142
	Salaries, wages and other benefits	9,787	17,866
	Share-based payments expenses	36,296	–
		46,521	19,008
	Less: Staff costs included in research and development costs	(333)	(4,823)
		46,188	14,185
c)	Other items		
	Auditor's remuneration		
	– provided during the year	1,100	980
	Less: overprovision in last year	–	(200)
		1,100	780
	Cost of inventories	70,572	180,616
	Amortisation of intangible assets	43,247	48,760
	Amortisation of land use rights	1,596	1,820
	Depreciation	44,534	53,614
	Less: Depreciation included in research and development costs	(13,089)	(37,166)
		31,445	16,448
	Operating lease charges:		
	minimum lease payments – property rentals	376	1,818
	Research and development costs	189,906	270,893

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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 (2009: 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 statement of comprehensive income represents:

	2010	2009
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
Current tax – Overseas		
Provision for the year	**4,182**	53,111
Deferred tax		
Origination and reversal of temporary differences	**–**	–
	4,182	53,111

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

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

	2010 **HK$'000**	2009 HK$'000
Loss before income tax	**(450,471)**	(455,212)
Notional tax on loss before income tax, calculated at the rates applicable to loss in the countries concerned	**(74,327)**	(75,110)
Tax effect on operation in different jurisdiction	**(31,107)**	(21,105)
Tax effect of non-deductible expenses and non-taxable income	**94,823**	83,195
Tax effect of unused tax losses not recognised	**14,793**	66,131
Actual tax expense	**4,182**	53,111

9. DIRECTORS' REMUNERATION

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

For the year ended 31 March 2010

	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	**120**	**1**	**–**	**12**	**133**
Liu Guoyao	**–**	**–**	**–**	**–**	**–**
Cheng Wai Man (resigned on 4 September 2009)	**–**	**–**	**–**	**–**	**–**
Independent Non-executive Directors					
Zhou Yaoming	**50**	**–**	**–**	**–**	**50**
Lin Jian	**50**	**–**	**–**	**–**	**50**
So Yin Wai (resigned on 15 March 2010)	**50**	**–**	**–**	**–**	**50**
	270	**1**	**–**	**12**	**283**

9. DIRECTORS' REMUNERATION *(Continued)*

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

During the year, no (2009: Nil) 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 (2009: Nil) of the directors has waived any emoluments during the year.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none (2009: Nil) is director whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other five (2009: five) individuals are as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other emoluments	**1,416**	1,865
Share-based payments	**–**	–
Retirements schemes contributions	**–**	–
	1,416	1,865

The emoluments of the five (2009: five) individuals with the highest emoluments are within the following bands:

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

Their emoluments were within the following bands:

	2010 No. of employees	2009 No. of employees
HK$Nil – HK$1,000,000	**5**	5
HK$1,000,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$3,000,000	**–**	–

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a loss of approximately HK$255,234,000 (2009: HK$165,489,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2010 (2009: Nil), nor has any dividend been proposed since the end of the reporting period (2009: Nil).

13. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to equity holders of the Company is based on the following data:

	2010 HK$'000	2009 HK$'000
Loss for the year attributable to equity holders of the Company for the purpose of basic and diluted loss per share	**(454,653)**	(508,323)

	2010	2009
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic	**5,671,016,718**	8,323,446,845
Effect of dilutive potential ordinary shares – Share options	**68,546,605**	–
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	**5,739,563,323**	8,323,446,845

14. SEGMENT REPORTING

Segment revenues and result

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.

14. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

Primary reporting format – business segments

For the year ended 31 March 2010

	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
Revenue from external customers	83,847	10,418	54,021	148,286
Intersegment sales	4,089	–	(4,089)	–
Segment results – gross	32,884	3,843	40,485	77,212
Operating income & expenses	(16,966)	(26,967)	(106,115)	(150,048)
Impairment loss on trade receivables	–	(83)	–	(83)
Impairment loss on other receivables, deposits and prepayments	–	(24,759)	(118)	(24,877)
Impairment loss on leasehold land and land use rights	–	–	–	–
Impairment loss on intangible assets	–	(123,969)	–	(123,969)
Impairment loss on property, plant and equipment	–	(22,215)	–	(22,215)
Loss on disposal of intangible assets	–	–	(13,159)	(13,159)
Loss on disposal of property, plant and equipment	(47,434)	–	–	(47,434)
Property, plant and equipment written off	–	(63,790)	(827)	(64,617)
Inventories written off	–	–	(3,062)	(3,062)
Segment results	(27,427)	(257,940)	(86,885)	(372,252)
Unallocated operating income and expenses	–	–	–	(74,878)
Operating loss				(447,130)
Finance costs				(2,455)
Share of loss of associates				(886)
Loss before taxation				(450,471)
Income tax				(4,182)
Loss for the year				(454,653)
Segment assets	73,962	136,878	733,863	944,703
Unallocated corporate assets				166,167
Total assets				1,110,870
Segment liabilities	26,599	2,490	53,133	82,222
Unallocated corporate liabilities				3,990
Total liabilities				86,212
Capital expenditure	8	638	195,053	195,699
Amortisation	–	9,744	35,099	44,843
Depreciation	12,677	15,556	16,301	44,534
Loss on disposal of property, plant and equipment	47,434	–	–	47,434

14. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

Primary reporting format – business segments (Continued)

For the year ended 31 March 2009

	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
Revenue from external customers	245,183	57,245	223,842	526,270
Intersegment sales	2,858	–	(2,858)	–
Segment results – gross	97,440	38,620	189,215	325,275
Operating income & expenses	(35,571)	(57,685)	(328,305)	(421,561)
Impairment loss on trade receivables	(20,486)	–	–	(20,486)
Impairment loss on goodwill	–	(193,626)	–	(193,626)
Impairment loss on other receivables, deposits and prepayments	–	(92,973)	(15,909)	(108,882)
Impairment loss on leasehold land and land use rights	–	–	(2,727)	(2,727)
Impairment loss on intangible assets	–	(2,177)	–	(2,177)
Impairment loss on property, plant and equipment	–	(12,891)	(4,004)	(16,895)
Change in fair value of investment properties	–	–	(489)	(489)
Segment results	44,241	(320,732)	(165,077)	(441,568)
Unallocated operating income and expenses	–	–	–	(12,678)
Operating loss				(454,246)
Finance costs				(967)
Share of profit of associate				1
Loss before taxation				(455,212)
Income tax				(53,111)
Loss for the year				(508,323)
Segment assets	318,791	322,928	801,860	1,443,579
Unallocated corporate assets				4,012
Total assets				1,447,591
Segment liabilities	56,133	18,912	45,962	121,007
Unallocated corporate liabilities				37,537
Total liabilities				158,544
Capital expenditure	42,843	88,573	5,532	136,948
Amortisation	–	18,448	32,132	50,580
Depreciation	16,448	17,587	19,579	53,614
Loss on disposal of property, plant and equipment	750	–	–	750

14. 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 2010

	Turnover HK$'000	**Total assets HK$'000**	**Capital expenditure HK$'000**
Hong Kong	**–**	**166,167**	**–**
PRC	**148,286**	**944,703**	**195,699**
Other countries	**–**	**–**	**–**
	148,286	**1,110,870**	**195,699**

For the year ended 31 March 2009

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

Information about major customers

There is no customer who represents more than 10% of the sales of the Group.

15. PROPERTY, PLANT AND EQUIPMENT

a) The Group

	Leasehold building in the PRC 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 2008	50,826	286,358	28,178	48,079	4,851	492	418,784
Additions	–	132,734	3,130	783	301	–	136,948
Disposals	–	(3,320)	(3)	–	–	–	(3,323)
Exchange differences	1,265	(6,534)	417	812	32	12	(3,996)
As at 31 March 2009 and 1 April 2009	52,091	409,238	31,722	49,674	5,184	504	548,413
Additions	–	416	397	149	–	41	1,003
Disposals	–	(122,541)	–	–	(955)	–	(123,496)
Exchange differences	54	327	33	51	5	1	471
As 31 March 2010	52,145	287,440	32,152	49,874	4,234	546	426,391
Accumulated depreciation and impairment							
At 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 disposals	–	(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)
As at 31 March 2009 and 1 April 2009	16,748	77,943	21,428	11,410	3,062	–	130,591
Charge for the year	2,740	30,885	5,374	4,896	639	–	44,534
Written back on disposals	–	(10,149)	–	–	–	–	(10,149)
Impairment	–	11,296	–	10,919	–	–	22,215
Exchange differences	9	40	11	6	3	–	69
At 31 March 2010	19,497	110,015	26,813	27,231	3,704	–	187,260
Net book value							
At 31 March 2010	32,648	177,425	5,339	22,643	530	546	239,131
At 31 March 2009	35,343	331,295	10,294	38,264	2,122	504	417,822

Certain properties as at 31 March 2009 were pledged as collateral of the Group's bank borrowings (Note 28 and 33).

16. INVESTMENT PROPERTIES

	2010 HK$'000	2009 HK$'000
Balance at beginning of year	4,920	5,277
Exchange differences	5	132
Change in fair value	–	(489)
Balance at end of year	4,925	4,920

Investment properties are located in the PRC on land with use right between 40-50 years. Investment properties were pledged as collateral for the Group's bank borrowings (Note 28 and 33).

17. 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:

	2010 HK$'000	2009 HK$'000
Balance at beginning of year	25,359	29,180
Amortisation	(1,596)	(1,820)
Impairment	–	(2,727)
Exchange differences	22	726
Balance at end of year	23,785	25,359
Analysed for reporting purposes as:		
Current assets	1,597	1,641
Non-current assets	22,188	23,718
	23,785	25,359
The Group's leasehold land and land use rights payments comprise:		
– Medium-term lease in the PRC	9,001	15,652
– Short-term lease in the PRC	14,784	9,707
	23,785	25,359

Leasehold land and land use rights were pledged as collateral for bank borrowings (Note 28 and 33).

18 GOODWILL

	HK$'000
Cost	
At 1 April 2008, 31 March 2009, 1 April 2009 and 31 March 2010	573,552
Accumulated impairment losses	
At 1 April 2008	–
Impairment for the year	(193,626)
At 31 March 2009 and 1 April 2009	(193,626)
Impairment for the year	(30,510)
At 31 March 2010	(224,136)
Carrying amount	
At 31 March 2010	349,416
At 31 March 2009	379,926

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

	2010 **HK$'000**	2009 HK$'000
Pharmaceutical products – the PRC	**349,416**	379,926

The goodwill of HK$363,915,000 and HK$193,626,000 arising on acquisition of Figures Up Trading Limited and Nan Hoo Properties Limited respectively during 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 acquires' carrying amounts immediately before combinations were same as their fair values as at the respective dates of acquisition.

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.

18 GOODWILL *(Continued)*

Pharmaceutical products – the PRC

The recoverable amount of the CGU is determined based on its fair value less cost to sell or value-in-use calculations.

Key assumptions used for value-in-use calculations:

	2010	2009
	%	%
Gross margin	**20-29**	50-90
Growth rate	**0-15**	5-25
Discount rate	**28**	25-50

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.

The recoverable amount of fair value of the CGU and value-in-use were assessed by an independent professional firm of valuers, AA Property Services Limited. According to their results of valuations, the Group recognised an impairment loss of HK$30,510,000 for the year ended 31 March 2010 (2009: HK$193,626,000).

19 INTANGIBLE ASSETS

	The Group HK$'000
Cost	
At 1 April 2008	395,479
Additions	–
Exchange differences	30,948
At 31 March 2009 and 1 April 2009	426,427
Additions	190,715
Disposals	(30,523)
Exchange differences	201
At 31 March 2010	586,820
Accumulated amortisation and impairment	
At 1 April 2008	36,583
Charge for the year	48,760
Impairment for the year	2,177
Exchange differences	20,297
At 31 March 2009 and 1 April 2009	107,817
Charge for the year	43,247
Impairment for the year	123,969
Written back on disposals	(15,497)
Exchange differences	152
At 31 March 2010	259,688
Carrying amount	
At 31 March 2010	327,132
At 31 March 2009	318,610

The intangible assets are related to some technical know-how in respect of several pharmaceutical products owned by the Group and the pharmaceutical products registered with the State Food and Drug Administration ("SFDA") and the Ministry of Health of the PRC.

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

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

19 INTANGIBLE ASSETS *(Continued)*

According to the results of review of the valuations carried out by an independent professional firm of valuers, AA Property Services Limited, the Group recognised an impairment loss of HK$123,969,000 for the year ended 31 March 2010 (2009: HK$2,177,000).

20 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	–
Less: Impairment loss	**–**	–
	–	–
Amounts due from subsidiaries	**1,546,592**	1,451,068
Less: Impairment loss	**(457,000)**	(160,000)
	1,089,592	1,291,068

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

20 INVESTMENTS IN SUBSIDIARIES *(Continued)*

b) The details of the subsidiaries at 31 March 2010 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%
Dongguan Taili Biotech Co., Limited	The PRC	Research and development, manufacture and sales of medical and biological products/PRC	Contributed capital of HK$100,458,126	100%
Dongguan Shi Bo Kang Jian Pharmaceutical Technology Co., Limited	The PRC	Trading of medical and biological products/PRC	Contributed capital of RMB1,000,000	100%
Beijing Genetech Pharmaceutical Co., Limited	The PRC	Manufacture and sales of medical and biological products/PRC	Contributed capital of RMB91,000,000	100%
Shenzhen Watsin Genetech Limited	The PRC	Manufacture and sales of biological products/PRC	Contributed capital of RMB80,000,000	100%

* Shares held directly by the Company.

21 INTERESTS IN ASSOCIATES

	The Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets	**13,333**	9,980
Cost	**14,217**	10,237

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group.

Name of associates	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 RMB20,000,000	45%
東莞市康安生物技術開發有限公司	The PRC	Inactive	Contributed capital of RMB10,000,000	35%

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

	2010	2009
	HK$'000	HK$'000
Total assets	**33,447**	22,243
Total liabilities	**1,293**	64
Net assets	**32,154**	22,179
Group's share of net assets of associates	**13,333**	9,980
Total revenue	**–**	34
Total (loss)/profit for the year	**(1,975)**	3
Group's share of (loss)/profit of associates	**(886)**	1

22 INVENTORIES

	The Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	**786**	2,483
Work in progress	**657**	624
Finished goods	**2,831**	5,463
	4,274	8,570

23 TRADE RECEIVABLES

	The Group	
	2010	2009
	HK$'000	HK$'000
Trade receivables	**14,288**	161,307

At 31 March 2010, trade receivables of the Group amounting to approximately HK$29,022,000 (2009: approximately HK$20,486,000) were determined to be impaired. These receivables were due from companies with financial difficulties.

The ageing analysis of the trade and bills receivables is as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 30 days	**5,268**	42,257
31 – 60 days	**3,590**	16,516
61 – 90 days	**3,567**	16,736
Over 90 days	**30,885**	114,795
	43,310	190,304
Less: Provision for impairment	**(29,022)**	(28,997)
	14,288	161,307

Customers are generally granted with credit terms of 30 to 90 days (2009: 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.

23 TRADE RECEIVABLES *(Continued)*

At the end of the reporting period, 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 end of the reporting period:

	The Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**11,303**	60,445
Past due and not impaired		
Not more than one month past due	**1,181**	14,740
Over one month past due	**1,804**	86,122
	2,985	100,862
	14,288	161,307

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
At 1 April	**28,997**	9,392
Impairment loss recognised	**83**	20,486
Bad debts written off	**–**	(881)
Reversal of impairment	**(226)**	–
Exchange differences	**168**	–
At 31 March	**29,022**	28,997

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

	The Group	
	2010	2009
	HK$'000	HK$'000
RMB	**14,288**	161,307

24 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits for purchases of technical know-how *(note a)*	**44,529**	21,863	**–**	–
Deposits and prepayments for purchases of plant and machinery	**–**	915	**–**	–
Other receivables and prepayments	**27,114**	48,310	**207**	465
	71,643	71,088	**207**	465

a) At 31 March 2010, the Group paid a deposit of approximately HK$44,529,000 (2009: HK$21,863,000) for purchases of technical know-how of several pharmaceutical products.

Capital commitments of the Group in respect of the remaining unpaid balances of approximately HK$4,948,000 (2009: HK$8,701,000) for these purchases are disclosed in note 34 to the financial statements.

b) The carrying amount of deposits and other receivables is considered a reasonable approximation of fair value.

25 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**62,943**	50,009	**36,201**	419
Cash and cash equivalents in the statement of financial position	**62,943**	50,009	**36,201**	419
Cash and cash equivalents in the consolidated statement of cash flows	**62,943**	50,009		

Included in cash and cash equivalents in the statement of financial position are the following amounts denominated in a currency other than the reporting currency of the entity to which they relate:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**22,557**	49,362	**–**	–

26 TRADE PAYABLES

	The Group	
	2010	2009
	HK'000	HK'000
Trade payables	**13,169**	18,147

At 31 March 2010, all the trade payables are expected to be settled within one year and the ageing analysis of the trade payables is analysed as follows:

	The Group	
	2010	2009
	HK'000	HK'000
Within 30 days	**2,974**	4,782
31-60 days	**1,806**	4,103
61-90 days	**3,591**	5,784
Over 90 days	**4,798**	3,478
	13,169	18,147

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

	2010	2009
	HK'000	HK'000
RMB	**13,169**	18,147

27 AMOUNTS DUE TO DIRECTORS/ASSOCIATES

The amounts are unsecured, interest-free and repayable on demand.

28 BANK LOANS AND OTHER BORROWINGS

	The Group	
	2010	2009
	HK'000	HK'000
Bank loans repayable:		
Within 1 year or on demand	**15,355**	26,705
After 1 year but within 2 years	**–**	15,341
	15,355	42,046
Other loans repayable:		
Within 1 year or on demand	**16,720**	10,000
	32,075	52,046
Less: Amount due within 1 year shown under current liabilities	**(32,075)**	(36,705)
	–	15,341
Secured	**15,355**	42,046
Unsecured	**16,720**	10,000
	32,075	52,046

Included in bank loans and other borrowings, the following denominated in a currency other than the functional currency of the Group to which they relate.

	2010	2009
	HK'000	HK'000
RMB	**32,075**	42,046

Other loan is interest – free (2009: 6% per annum).

All the bank loans 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$15,355,000 (2009: HK$42,046,000) are secured by investment properties; leasehold building; leasehold land and land use rights of the Group with carrying amount of HK$4,925,000 (2009:HK$4,920,000), HK$Nil (2009:HK$35,343,000) and HK$23,785,000 (2009:HK$25,359,000) respectively.

In the opinion of the Directors, carrying amounts of the Group's current and non-current bank loans and other borrowings 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.

29 SHARE CAPITAL

		Nominal value per share HK$	Number of shares '000	Amount HK$'000
(A)	Authorised:			
	At 1 April 2008 and 1 April 2009	0.10	50,000,000	5,000,000
	Consolidation of shares		(45,000,000)	–
		1.00	5,000,000	5,000,000
	Reduction of share capital		–	(4,950,000)
		0.01	5,000,000	50,000
	Increase	0.01	495,000,000	4,950,000
	At 31 March 2010	0.01	500,000,000	5,000,000
	Issued and fully paid:			
	At 1 April 2008	0.10	8,040,692	804,069
	Issue of shares upon exercise of options *(Note a)*	0.10	132,950	13,295
	Issue of shares upon capitalisation of debts *(Note b)*	0.10	525,333	52,534
	At March 2009 and 1 April 2009	0.10	8,698,975	869,898
	Issue of shares upon open offer with bonus issue *(Note c)*	0.10	4,349,488	434,948
		0.10	13,048,463	1,304,846
	Consolidation of shares *(Note d)*	1.00	(11,743,617)	–
			1,304,846	1,304,846
	Reduction of capital *(Note d)*		–	(1,291,798)
	At 31 March 2010	0.01	1,304,846	13,048

a) 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.

b) 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.

c) On 15 May 2009, the Company allotted 1,449,829,215 offer shares of HK$0.10 each at the subscription price of HK$0.10 per offer share on the basis of 1 offer share for every 6 then existing ordinary shares held and allotted 2,899,658,430 bonus shares of HK$0.10 each on the basis of 2 bonus shares for every 1 offer share taken up out of the share premium account (collectively referred to as the "Open Offer with Bonus Issue"). The Company raised approximately HK$141.9 million (net of expenses) for the research and development of its biological pharmaceutical products.

29 SHARE CAPITAL *(Continued)*

d) As announced by the Company on 18 March 2009, the Company proposed to effect (i) a share consolidation pursuant to which every one 10 issued and unissued then existing shares of HK$0.10 each were consolidated into 1 consolidated share of HK$1.00 each; (ii) reduction of the nominal value of each issued share from HK$1.00 each to HK$0.01 each by cancelling HK$0.99 paid up share capital for each share in issue ("Issued Capital Reduction"); (iii) reduction of the nominal value of all shares in the authorized share capital of the Company from HK$1.00 each to HK$0.01 each, resulting in the reduction of the authorised share capital from HK$5,000,000,000 to HK$50,000,000 divided into 5,000,000,000 shares of HK$0.01 each; (iv) increase of the authorised share capital from HK$50,000,000 divided into 5,000,000,000 consolidated shares of HK$0.01 each to HK$5,000,000,000 divided into 500,000,000,000 consolidated shares of HK$0.01 each by the creation of 495,000,000,000 new consolidated shares; and (v) transfer of credit arising from the Issued Capital Reduction with the amount of HK$1,291,797,830 to the distributable reserve account. The above are collectively referred to as the "Capital Reorganisation". Details of the Capital Reorganisation are set out, inter alia, in the circular of the Company dated 28 March 2009. A special resolution approving the Capital Reorganisation was passed at the extraordinary general meeting of the Company held on 20 April 2009. The Capital Reorganisation became effective on 31 August 2009.

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

f) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price	Adjusted exercise price	2010 Number '000	2009 Number '000
19 June 2006 to 21 October 2011	HK$0.2229	HK$19,630	7,159	63,050
28 January 2008 to 21 September 2016	HK$0.5120	HK$45,100	5,677	50,000
26 May 2009 to 21 September 2016	HK$0.1000	HK$10,000	73,500	–
			86,336	113,050

Each option entitles the holders to subscribe for one ordinary share in the Company. Further details of these options are set out in note 31 to the financial statements.

29 SHARE CAPITAL *(Continued)*

g) Capital management

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

During the year, the gearing ratios at 31 March 2010 and 2009 were as follows:

	2010	2009
	HK$'000	HK$'000
Total liabilities	**86,212**	158,544
Less: Cash and cash equivalents (Note 25)	**(62,943)**	(50,009)
Net debts	**23,269**	108,535
Total equity	**1,024,658**	1,289,047
Gearing ratio	**2.27%**	8.42%

30. RESERVES

The Group

	Attributable to owners of the Company							
	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based payments reserve HK$'000	Distributable reserve HK$'000	Exchange reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000	Total HK$'000
At 31 March 2008 and 1 April 2008	488,038	(267)	6,289	22,061	–	96,801	240,260	853,182
Total comprehensive loss for the year	–	–	–	–	–	31,683	(508,323)	(476,640)
Issue of shares – exercise of share options	16,341	–	–	–	–	–	–	16,341
– transfer from sharebased payments reserve	10,210	–	–	(10,210)	–	–	–	–
Issue of shares – debts capitalisation	26,266	–	–	–	–	–	–	26,266
	52,817	–	–	(10,210)	–	31,683	(508,323)	(434,033)
At 31 March 2009 and 1 April 2009	540,855	(267)	6,289	11,851	–	128,484	(268,063)	419,149
Total comprehensive loss for the year	–	–	–	–	–	8,986	(454,653)	(445,667)
Issue of shares – open offer	–	–	–	–	–	–	–	–
– bonus issue	(289,966)	–	–	–	–	–	–	(289,966)
Equity settled share-based payment transaction	–	–	–	36,296	–	–	–	36,296
Capital reorganization	–	–	–	–	1,291,798	–	–	1,291,798
	(289,966)	–	–	36,296	1,291,798	8,986	(454,653)	592,461
At 31 March 2010	250,889	(267)	6,289	48,147	1,291,798	137,470	(722,716)	1,011,610

Note: The distributable reserve represents credit arising from Capital Reorganization effected by the Company during the year ended 31 March 2010.

30. RESERVES *(Continued)*

The Company

	Share premium HK$'000	Share-based payments reserve HK$'000	Distributable reserve HK$'000	(Accumulated losses) HK$'000	Total HK$'000
At 31 March 2008 and 1 April 2008	559,641	22,061	–	(47,632)	534,070
Total comprehensive loss for the year	–	–	–	(165,489)	(165,489)
Issue of shares – exercise of share options	16,341	–	–	–	16,341
– transfer from sharebased payments reserve	10,210	(10,210)	–	–	–
Issue of shares – debts capitalisation	26,266	–	–	–	26,266
	52,817	(10,210)	–	(165,489)	(122,882)
At 31 March 2009 and 1 April 2009	612,458	11,851	–	(213,121)	411,188
Total comprehensive loss for the year	–	–	–	(339,113)	(339,113)
Issue of shares – open offer	–				
– bonus issue	(289,966)	–	–	–	(289,966)
Equity settled share-based payment transaction	–	36,296	–	–	36,296
Capital reorganization	–	–	1,291,798	–	1,291,798
	(289,966)	36,296	1,291,798	(339,113)	699,015
At 31 March 2010	322,492	48,147	1,291,798	(552,234)	1,110,203

30. 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) 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(u).

d) 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 2010, the aggregate amount of the Company's reserve available for distribution to shareholders was approximately HK$1,062,056,000 (2009: HK$399,337,000) 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$322,492,000 (2009: HK$612,458,000) and distributable reserve of approximately HK$1,291,798 (2009: Nil) less accumulated losses of approximately HK$552,234,000 (2009: HK$213,121,000), which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

31. SHARE OPTIONS

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

The subscription price for the shares in relation to options to be granted under the 2001 Scheme shall be determined by the Board 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").

31. SHARE OPTIONS *(Continued)*

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.

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 (2009: less than HK$1,000). The consideration is required to be settled within 21 days from the issue of the share option offer.

31. SHARE OPTIONS *(Continued)*

Details of the share option movements during the year ended 31 March 2010 under 2006 Scheme are as follows:

	Number of share options										
	Outstanding at 31-Mar-09 and 1 April 2009 '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 2010 '000	Exercise price HK$	Adjusted exercise price '000	Date of grant	Exercise period	Remaining contractual life
Employees	63,050	–	(55,891)	–	–	7,159	0.2229	1.9630	19 June 2006	19 June 2006 to 21 October 2011	1.56 years
Employees	13,658	–	(12,107)	–	–	1,551	0.5120	4.5100	28 January 2008	28 January 2008 to 21 September 2016	6.48 years
Others	36,342	–	(32,216)	–	–	4,126	0.5120	4.5100	28 January 2008	28 January 2008 to 21 September 2016	6.48 years
Others	–	735,000	(661,500)	–	–	73,500	0.1000	1.0000	26 May 2009	26 May 2009 to 21 September 2016	6.48 years
	113,050	735,000	(761,714)	–	–	86,336					
Exercisable at the end of the year						86,336					
Weight average exercise price (HK$)	0.3508	0.1000	N/A	N/A	N/A	1.3107					

Note: The number of shares issuable upon exercise of share options and their exercise price were adjusted during the year ended 31 March 2010 as a result of the Open Offer, Bonus Issue and the Capital Reorganization.

31. SHARE OPTIONS *(Continued)*

Details of the share option movements during the year ended 31 March 2009 under the 2006 Scheme are as follows:

	Number of share options								
	Outstanding at 31-Mar-08 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	0.5120	28 January 2008	28 January 2008 to 21 September 2016	7.48 years
Others	36,342	–	–	–	36,342	0.5120	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$) 0.1935 (adjusted)	0.2817	N/A	0.2229	N/A	0.3508				

In respect of the share options exercised during the year ended 31 March 2010, the weighted average of share price at the date of exercise is HK$1.3107 (2009:HK$0.3863 as adjusted).

The fair value of services received in return for share options granted during the year ended 31 March 2010 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 26 May 2009 (the "26 May 2009 Grant").

31. SHARE OPTIONS *(Continued)*

	26 May 2009 Grant
Number of share issuable under options granted	735,000,000
Option value	36,296,178
Expected dividend yield (%)	0.0%
Expected volatility (%)	97.179%
Risk-free interest (%)	1.009%
Expected life of options (years)	3
Subscription price (HK$)	0.100
Share price at date of grant (HK$)	0.097

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

32. DEFERRED TAX LIABILITIES

There were no significant deferred tax liabilities as at 31 March 2010 (2009: Nil).

33. PLEDGE OF ASSETS

At the end of the reporting period, the details of assets of the Group being pledged to secure borrowing facilities were as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Investment properties *(Note 16)*	**4,925**	4,920
Leasehold building *(Note 15)*	**–**	35,343
Leasehold land and land use rights *(Note 17)*	**23,785**	25,359
	28,710	65,622

34. COMMITMENTS

a) Capital commitments

At the end of the reporting period, the Group had capital commitments contracted but not provided for in the financial statements as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Contracted for:		
– Purchases of technical know-how	**4,948**	8,701
– Purchases of property, plant and equipment	**–**	143
– Capital injection to a subsidiary	**22,748**	–
	27,696	8,844

b) Operating lease commitments

At the end of the reporting period, 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	
	2010	2009
	HK$'000	HK$'000
Within 1 year	**679**	1,318
After 1 year but within 5 years	**358**	234
	1,037	1,552

35. 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 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2010 HK$'000	2009 HK$'000
Short-term employee benefits	283	413
Post-employment benefits	–	–
	283	413

Total remuneration is included in "staff costs" (see note 7(b)).

b) There were no material related party transactions during the year (2009: Nil).

c) Balances with the related parties as at 31 March 2010 are stated in notes 20 and 27.

36. CONTINGENT LIABILITIES

There were no significant contingent liabilities as at 31 March 2010.

37. MAJOR NON-CASH TRANSACTION

There was no major non-cash transaction during the year ended 31 March 2010.

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.

38. 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 statement of financial position relate to the following categories of financial assets and financial liabilities.

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables:				
Trade receivables	**14,288**	161,307	**–**	–
Other receivables and deposits	**19,125**	57,050	**207**	29
Amounts due from subsidiaries	**–**	–	**1,089,592**	1,291,068
Cash and cash equivalents	**62,943**	50,009	**36,201**	419
	96,356	268,366	**1,126,000**	1,291,516
Financial liabilities				
Financial liabilities measured at amortised costs:				
Trade payables	**13,169**	18,147	**–**	–
Accrued charges and other payables	**9,260**	55,985	**322**	3,898
Amounts due to associates	**118,442**	–	**–**	–
Amounts due to directors	**5,928**	12,072	**2,427**	6,968
Bank loans	**15,355**	42,046	**–**	–
Other borrowings	**16,720**	10,000	**–**	–
	178,874	138,250	**2,749**	10,866

38. 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:

	2010 **HK$'000**	2009 HK$'000
Financial assets		
Trade receivables	**14,288**	161,307
Other receivables and deposits	**25,664**	59,707
Cash and cash equivalents	**22,557**	49,362
	62,509	270,376
Financial liabilities		
Trade payables	**(13,169)**	(18,147)
Accrued charges and other payables	**(14,011)**	(50,979)
Bank loans	**(32,075)**	(42,046)
	3,254	159,204

38. 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% (2009: 5%) depreciation in the group entities' reporting 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 end of the reporting period 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.

	2010	2009
	RMB	RMB
	HK$'000	HK$'000
Profit for the year and retained profits	**163**	7,959

A 5% appreciation in the group entities' reporting 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 2009.

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.

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 28 and 25 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.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

c) Interest rate risk *(Continued)*

(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% (2009:+/-1%), with effect from the beginning of the year. The calculations are based on the Group's financial assets and liabilities held at the end of the reporting period. All other variables are held constant.

	2010			2009		
	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$'000	Increase/ (Decrease) profit for the year HK$'000
Financial assets and liabilities						
HK$	**+1%**	**37**	**37**	+1%	(21)	(21)
	-1%	**(37)**	**(37)**	-1%	21	21
Financial assets and liabilities						
RMB	**+1%**	**(3)**	**(3)**	+1%	159	159
	-1%	**3**	**3**	-1%	(159)	(159)

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 end of the reporting period.

The sensitivity analysis included in the financial statements of the year ended 31 March 2009 has been prepared on the same basis.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

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 end of the reporting period as summarised below:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets – carrying amounts				
Trade receivables	**14,288**	161,307	**–**	–
Other receivables and deposits	**24,648**	57,050	**207**	29
Amount due from subsidiaries	**–**	–	**1,089,592**	1,291,068
Cash and cash equivalents	**62,943**	50,009	**36,201**	419
	101,879	268,366	**1,126,000**	1,291,516

(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 end of the reporting period 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 2010, these major customers have trade receivables of approximately HK$4,990,000 (2009: HK$59,683,000) out of the total trade receivables of HK$14,288,000 (2009: HK$161,307,000) as stated on the consolidated statement of financial position. 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.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

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.

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 2010. 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.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

e) Liquidity risk *(Continued)*

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

At 31 March 2010:

	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	–	13,169	–	–	13,169
Accrued charges and other payables	–	9,260	–	–	9,260
Amounts due to associates	118,442	–	–	–	118,442
Amounts due to directors	5,928	–	–	–	5,928
Bank loans	–	16,276	–	–	16,276
Other borrowings	–	16,720	–	–	16,720
	124,370	55,425	–	–	179,795

	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	–	322	–	–	322
Amounts due to directors	2,427	–	–	–	2,427
	2,427	322	–	–	2,749

38. FINANCIAL RISK MANAGEMENT *(Continued)*

e) Liquidity risk *(Continued)*

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 borrowings	–	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

f) Fair values

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions for similar instruments.

The management consider that the carrying amounts of the Group's and the Company's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair value as at 31 March 2010 and 2009.

g) Economic risk

The Group's operations may be adversely affected by significant political, economic and social uncertainties in the PRC. Although the government of the PRC has been pursuing economic reform policies for the past years, no assurance can be given that the PRC government will continue to pursue such policies or that such policies may not be significantly altered.

h) Business risk

A substantial portion of the Group's operations is conducted in the PRC. This includes risks associated with, among others, the political, economic and legal environment in the PRC.

39. 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 28, 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 2010 and 2009.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 30 August 2010.

41. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2010

Up tp the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and new interpretations which are not yet effective for the year ended 31 March 2010 and which have not been early adopted in these financial statements:

	Effective for accounting periods beginning on or after
HKFRS 3 (Revised), Business combinations	1 July 2009
Amendments to HKAS 27, Consolidated and separate financial statements	1 July 2009
Amendments to HKAS 39, *Financial instruments: Recognition and measurement – Eligible hedged items*	1 July 2009
HK(IFRIC) 17, *Distributions of non-cash assets to owners*	1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Five Year Financial Summary

The following is a summary of the published consolidated results and of the assets and liabilities of the Group for each of the five years ended 31 March 2010 prepared on the basis set out in the note below:

RESULTS

	For the year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**148,286**	526,270	869,946	259,519	94,949
Profit/(Loss) before tax	**(450,471)**	(455,212)	337,514	115,981	(45,714)
Income tax expense	**(4,182)**	(53,111)	(139,134)	(55,665)	3,554
Profit/(Loss) for the year	**(454,653)**	(508,323)	198,380	60,316	(42,160)
Attributable to:					
Owners of the Company	**(454,653)**	(508,323)	198,380	60,322	(42,446)
Minority interests	**–**	–	–	(6)	286
Profit/(Loss) for the year	**(454,653)**	(508,323)	198,380	60,316	(42,160)

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current Assets					
Property, plant and equipment	**239,131**	417,822	353,840	334,549	63,882
Investment properties	**4,925**	4,920	5,277	–	–
Leasehold land and land use rights	**22,188**	23,718	28,144	14,697	–
Goodwill	**349,416**	379,926	573,552	557,541	–
Intangible assets	**327,132**	318,610	358,896	114,257	–
Interests in associates	**13,333**	9,980	9,979	–	
Deferred tax asset	**–**	–	–	1,874	139
	956,125	1,154,976	1,329,688	1,022,918	64,021

Five Year Financial Summary

RESULTS *(Continued)*

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Current Assets					
Leasehold land and land use rights	**1,597**	1,641	1,036	784	–
Inventories	**4,274**	8,570	9,115	15,352	17,732
Trade receivables	**14,288**	161,307	209,033	59,737	16,633
Other receivables, deposits and prepayments	**71,643**	71,088	278,823	142,919	24,394
Dividend receivable	**–**	–	–	42,868	1,888
Tax recoverable	**–**	–	–	1,100	1,100
Pledge bank deposit	**–**	–	–	219	1
Cash and cash equivalents	**62,943**	50,009	38,353	13,550	13,040
	154,745	292,615	536,360	276,529	74,788
Current Liabilities					
Trade payables	**13,169**	18,147	48,588	30,380	17,604
Accrued charges and other payables	**16,143**	55,985	86,233	55,311	15,704
Amounts due to directors	**5,928**	12,072	3,007	–	1,903
Amount due to ultimate holding company	**–**	–	–	–	1,547
Amounts due to associates	**18,442**	–	–	–	–
Current portion of long term loan	**–**	–	–	12,645	13,700
Obligation of finance lease	**–**	–	–	161	100
Trust receipt	**–**	–	–	2,962	2,438
Tax payables	**455**	20,294	60,979	20,813	77
Bank loans	**15,355**	26,705	–	8,951	8,360
Other borrowings	**16,720**	10,000	10,000	–	–
Net assets	**86,212**	143,203	208,807	131,223	61,433
Net current assets	**68,533**	149,412	327,553	145,306	13,355
Total assets less current liabilities	**1,024,658**	1,304,388	1,657,241	1,168,224	77,376
Non-current liabilities					
Convertible bonds	**–**	–	–	51,876	–
Deferred tax liabilities	**–**	–	–	8,766	9,961
Obligation under finance lease	**–**	–	–	202	2,977
Bank loans	**–**	15,341	–	36,950	37,637
	–	15,341	–	97,794	50,575
Net assets	**1,024,658**	1,289,047	1,657,241	1,070,430	26,801