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 2011

* 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

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House,
68 West Bay Road
Grand Cayman
KY1-1106
Cayman Islands

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$76,764,000 representing a decrease of 48% compared with HK$148,286,000 recorded in the last financial year. The gross profit was HK$47,652,000 representing a decrease of 38% as compared with HK$77,212,000 recorded in the last financial year. The Group recorded a net loss of approximately HK$185,156,000 for the year ended 31 March 2011 compared to a net loss of approximately HK$454,653,000 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.

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. The self-developed bio-logical product, rExtendin4, is near to completion and the Board expects that upon formal approval by State Food and Drug Administration ("SFDA") and after marketing of the product, there will be a drastic jump on the Company's performance in the very near future.

Distribution of pharmaceutical products

This division achieved a turnover of HK$20,459,000 with segment results of HK$(12,764,000) for the year ended 31 March 2011. The turnover and segment results of corresponding period were HK$83,847,000 and HK$(27,427,000) respectively. The change 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 "inhouse biological pharmaceutical products".

In-house biological pharmaceutical products

The sales of rhEGF products achieved a turnover of HK$42,146,000 and a segment results of HK$(32,453,000) for the year ended 31 March 2011. The turnover and segment results of last year were HK$54,021,000 and HK$(82,796,000) respectively. The reported figure for segment results of in-house biological pharmaceutical products was affected by the research and development expenditure from HK$44,466,000 (2010: HK$44,466,000) and impairment loss on goodwill of HK$90,000,000 (2010: HK$0). During 2011, an amount of HK$7,154,000 (2010: 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$14,159,000 with segment results of HK$(24,679,000) for the year ended 31 March 2011. The turnover and segment results were HK$10,418,000 and HK$(257,940,000) 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$0 (2010: HK$24,759,000); impairment loss on intangible assets of HK$2,258,000 (2010: HK$123,969,000) and impairment loss on property, plant and equipment of HK$8,819,000 (2010: HK$22,215,000).

BUSINESS REVIEW *(Continued)*

Research Platforms

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

Product Development

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

Progress of the development has been encouraging during the year under review.

As announced on 21 January 2011, the rhEPO-Fc has obtained approval to conduct Phase I Human Clinical trial on its applications in the People's Republic of China (the "PRC").

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 continued to support a series of policies, in particular, loosening of credit restrictions and stimulation of domestic consumption to drive up the GDP growth. These policies helped to ease certain negative impact, such as increased costs and market competition, 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.

At the request of the Company, trading in the Shares of the Company on the Stock Exchange has been suspended since 9 March 2010. Trading in the Shares will remain suspended until further notice.

The Company received a letter from the Stock Exchange dated 29 March 2010, in which the Stock Exchange stated the following resumption conditions for the Company:

(i) informing the market all material information about the ICAC's investigation that is necessary to appraise the position of the Company and its subsidiaries ("Group"), including the implications to the Group's operations, assets and financial position.

(ii) demonstrating circumstances which suggest that there may be significant deficiencies in the internal control system of the Group and/or concern about management integrity of the Group which will pose a risk to investors no longer exist; and

(iii) providing a reasonable assurance on (i) and (ii) above through works done by independent non-executive directors of the Company and independent professional parties.

Chairman's Statement

PROSPECTS *(Continued)*

The Stock Exchange may modify any of the above and/or impose further conditions at its discretion.

The Company is in the progress of fulfilling the request of the Exchange and is liaising with the ICAC to seek to obtain further information concerning its investigation. The Company will inform the public when there is any material development on the resumption process and the progress of the ICAC case.

APPRECIATIONS

Finally, I would like to express 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 June 2011

Management Discussion and Analysis

During the year under review, the Company (together with its subsidiaries, the "Group") recorded a consolidated turnover of HK$76,764,000 representing a decrease of 48% compared with HK$148,286,000 recorded in the last financial year. The gross profit was HK$47,652,000 representing a decrease of 38% as compared with HK$77,212,000 recorded in the last financial year. The Group recorded a net loss of approximately HK$185,156,000 for the year ended 31 March 2011 compared to a net loss of approximately HK$454,653,000 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. In order to tackle the prolonged turmoil noted in the financial market which has adversely affected the economy, we have adopted a more prudent business and financial management policy to ensure that we maintain adequate working capital to finance our operations. The Group also decided to suspend the development of its chemical pharmaceutical products in pipeline and concentrate its resources in developing its pipeline of innovative biological pharmaceutical products which are more promising.

Because of the foregoing, impairment loss on trade receivables of HK$700,000; impairment loss on goodwill of HK$90,000,000; impairment loss on intangible assets of HK$9,756,000; impairment loss on property, plant and equipment of HK$8,819,000 and valuation gain on investment properties of HK$3,408,000 were recognized as a result of re-assessment of the Group's assets portfolio for the current financial year.

Despite these challenges, the Group has continuously strengthened its management team which has been committed to rationalizing and re-engineering its work flow and processes to reduce costs and increase efficiency. The government of the PRC continued to support a series of policies, in particular, loosening of credit restrictions and stimulation of domestic consumption to drive up the GDP growth. These policies helped to ease certain negative impact, such as increased costs and market competition, 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.

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Business Review and Prospect *(Continued)*

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Research Platforms

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

E.coli, Pichia Yeast and Mammalian cell expression system

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

E.coli constitutive secretion system

The Group 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 genetargeted 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

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

rExendin-4

With the rapid increase in population with diabetes, it is expected that the expenditure on diabetes treatment in the PRC will increase significantly in the years ahead. The demand for diabetes drugs are one of the fastest growing segments in the pharmaceutical market, increased by approximately 40% when compared to in 2004 and accounting for approximately 20% of all prescription drugs in the global markets. In the PRC, the size of pharmaceutical market is estimated to be about US$23–50 billion.

rExendin-4 is a non-insulin antidiabetic treatment candidate that stimulates the incretin pathway (a distinct mechanism of action) which is drawing attention in the medical community and has received the approval from State Food and Drug Administration in the PRC ("SFDA") for clinical trials. Phase I clinical trials started in July 2006 and completed in 2007, Phase II clinical trials were also completed by the end of 2008. Phase III clinical trials commenced in June 2009. The self-developed bio-logical product is near to completion and the Board expects that upon formal approval by State Food and Drug Administration ("SFDA") and after marketing of the product, there will be a drastic jump on the Company's performance in the very near future.

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.

As announced on 21 January 2011, the rhEPO-Fc has obtained approval to conduct Phase I Human Clinical trial on its applications in the People's Republic of China (the "PRC").

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

cTP-5 (previously known as rTP-5)

rTP-5 has been converted to cTP-5 as a class I chemical drug candidate for the treatment of chronic hepatitis B. It is well known that hepatitis is an epidemic in the PRC, especially hepatitis B. The global statistics of patients that have chronic infections with hepatitis B is around 400 million. The chronically infected population in the PRC is about 130 million (–30% of the global infected population). cTP-5 is a chemical medical preparation for treating chronic hepatitis B and the research progress is currently at the final stages of pre-clinical trials. After stages of research and experiments, the Group is able to synthesize cTP-5 at a much lower cost than that of rTP-5 with similar effectiveness. Since most biopharmaceuticals products are bigger in size, the cost in production is much higher using the chemical method. However cTP-5 is only 5 amino acids in length, whereas most biopharmaceuticals are from 30 to 150 amino acids in length.

LFA3-Fc

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

rhIL-11

rhIL-11 is currently under Phase 3 clinical trials approved by the SFDA for the treatment of chemotherapy-induced thrombocytopenia. rhIL-11 is a Class II prescription new drug candidate that stimulates human body to make platelets, which is a type of blood cell. It is suitable for patients who have received certain types of chemotherapy and is used to help prevent the number of platelets circulating in the blood from dropping to dangerously low level which can cause the patient to have difficulties in blood clotting. rhIL-11 may reduce the need for platelet transfusions after chemotherapy. A study shows that after applying the drug to nonmyelosuppressed cancer patients, platelet counts increased significantly. Upon cessation of the treatment, platelet counts continued to increase for up to 7 days then returned to baseline within 14 days. Besides treating chemotherapyinduced 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)*

rhPTH 1-34

rhPTH 1-34 (a Class II prescription new drug) has its Phase II clinical trial completed by the end of 2008. Phase III clinical trial commenced in April 2009. rhPTH 1-34 is a type of bone-active agent that primarily works by stimulating new bone formation on quiescent bone surface that is not simultaneously undergoing remodeling. It increases bone mass to a greater degree instead of just filling in the bone remodeling space.

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

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

Strategic Alliance

The Group has also formed a strategic alliance with DaAn Gene Co., Ltd of Sun Yat-sen University ("DaAn") to cooperate on individualized diagnostic reagents and new drugs. DaAn is a public company listed on the Shenzhen Stock Exchange, PRC. specialising in the field of biotechnologies, especially in the development and application of gene diagnostic technologies and related products. DaAn was one of the first companies in the PRC to develop in 2003 the FQ-PCR kit for early detection of SARS-coronavirus (SARS-CoV) upon the platform of FQ-PCR.

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

Liquidity and Financial Resources

During the year under review, no ordinary shares of HK$0.10 each were issued.

At 31 March 2011, the Group's bank deposits, bank balances and cash amounted to HK$16,545,000 and bank and other borrowings amounted to HK$25,311,000. At 31 March 2011, the Group has total assets of approximately HK$921,834,000, current assets of the Group at 31 March 2011 amounted to approximately HK$104,629,000 while current liabilities were HK$71,701,000. The gearing ratio, calculated by dividing the total debts over its total assets, was 8%.

The Group's major interest and operations are in the PRC. The Group also contracts with suppliers for goods and services that are denominated in Renminbi ("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% (2010: 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.

Liquidity and Financial Resources *(Continued)*

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.

	2011 RMB HK$'000	2010 RMB HK$'000
Loss for the year and accumulated losses	**(2,462)**	(163)

A 5% appreciation in the group entities' functional currencies against RMB would have the same magnitude on the Group's loss 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 2010.

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 2011, leasehold land and land use rights and investment properties with an aggregate carrying value of HK$18,346,000 had been pledged to the Group's bankers for banking facilities granted to the Group.

At 31 March 2011, the Group did not have any material contingent liabilities.

Employment and Remuneration Policy

At 31 March 2011, the Group employed approximately 480 staff, including approximately 60 staff in the PRC R&D centres, approximately 250 staff in total in the PRC sales offices, approximately 160 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 2011, 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 2011, 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 46, 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 41, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. LEUNG Ka Chun, aged 33, has over 11 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 Virgin Islands. Fitwell specializes in recycling of wasted oil, production and marketing of bio-diesel.

SENIOR MANAGEMENT

Mr. FUNG Kwok Leung, aged 46, 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.

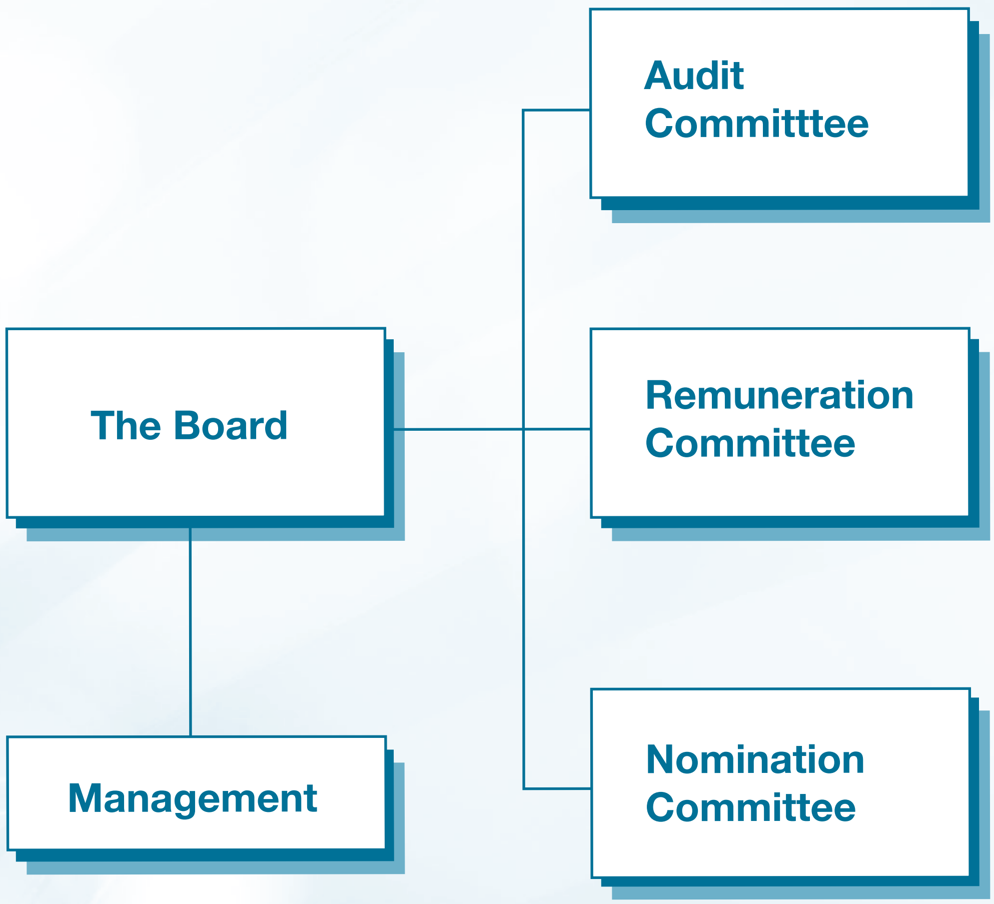
Corporate Governance Report

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 2010/2011.

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:



Corporate Governance Report

THE BOARD OF DIRECTORS

The Board currently consists of seven members, including two executive directors, one of the being the Chairman and five independent non-executive Directors. One of our independent non-executive Directors has the professional and accounting qualifications as required by the Listing Rules.

According to code provision A.4.1 of the CG Code, the non-executive directors should be appointed for a specific term, subject to re-election. Currently, 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
Independent Non-executive Directors	
ZHOU Yaoming	4/4
LIN Jian	4/4
TSAO Hoi Ho	4/4
LOU Iok Kuong	3/4
LEUNG Ka Chun	4/4

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set\ out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by all Directors. A copy of the Model Code is sent to each Director first on his appointment and a reminder is sent to each Director to remind him about the blackout period during which he cannot deal in the securities of the Company at the appropriate time prior to board meetings to approve the Company's financial results.

Having made specific enquiry of all Directors, all Directors confirmed they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2011.

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**
ZHOU Yaoming	2/2
LIN Jian	2/2
LOU Iok Kuong	2/2
LEUNG Ka Chun	2/2
TSAO Hoi Ho *(Chairman)*	2/2

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

REMUNERATION COMMITTEE

The Company established a remuneration committee ("Remuneration Committee") on 4 November 2005 with written terms of reference in compliance with the CG Code. Members of the Remuneration Committee as at 31 March 2011 comprised Mr. TONG Kit Shing, 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
TSAO Hoi Ho	2/2
LOU Iok Kuong	2/2
LEUNG Ka Chun	2/2
ZHOU Yaoming *(Chairman)*	2/2
LIN Jian	2/2

NOMINATION COMMITTEE

The Company established a nomination committee ("Nomination Committee") on 4 November 2005. Members of the nomination committee as at 31 March 2011 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
ZHOU Yaoming	2/2
TSAO Hoi Ho	2/2
LOU Iok Kuong	2/2
LEUNG Ka Chun	2/2
LIN Jian *(Chairman)*	2/2

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

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

AUDITORS' REMUNERATION

The Group was charged HK$1,100,000 for auditing services by KTC Partners CPA Limited in respect of the year ended 31 March 2011.

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.

Corporate Governance Report

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 2011, 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 2011.

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.

Directors' Report

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 2011.

PRINCIPAL ACTIVITIES AND SEGMENTAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 20 to the financial statements. Segmental information of the Group was disclosed in note 12 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2011 are set out in the consolidated income statement on pages 31–32.

DIVIDEND

The Directors do not recommend the payment for a dividend for the year ended 31 March 2011.

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:

	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Profit/(loss) attributable to shareholders	**(185,156)**	(454,653)	(508,323)	198,380	60,322
Assets and liabilities					
Total assets	**921,834**	1,110,870	1,447,591	1,866,048	1,299,447
Total liabilities	**(74,030)**	(86,212)	(158,544)	(208,797)	(229,017)
Shareholders' funds	**847,804**	1,024,658	1,289,047	1,657,251	1,070,430

SHARE CAPITAL AND RESERVES

Details of the movements in share capital of the Company during the year are set out in note 31 to the financial statements.

Movements in reserves of the Group and the Company during the year are set out in note 32 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 2011, the aggregate amount of the Company's reserves available for distribution to shareholders was approximately HK$723,410,000 (2010: HK$1,062,056,000).

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

Independent Non-Executive Directors

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

In accordance with article 87(1) of the Company's articles of association, Mr. LIU Guoyao, Mr. TSAO Hoi Ho and Mr. LEUNG Ka Chun will retire by Rotation at the forthcoming annual general meeting of the Company and being eligible, offers themselves for re-election.

Biographical information of Directors is set out on page 13 of this report.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

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

TAX RELIEF AND EXEMPTION

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

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of director	The Company/ Name of associated corporation	Capacity	Number of issued securities(L) *(Note 1)*	Appropriate percentage of shareholding
TONG Kit Shing	The Company	Interest of a controlled corporation *(Note 2)*	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 1,304,659,866 Shares in issue as at 31 March 2011.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

To the best knowledge of the Directors after making reasonable enquiry, as at 31 March 2011, 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 1,304,659,866 Shares in issue as at 31 March 2011

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 2011.

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 27% (2010: 23%) of the Group's total sales for the year while the single largest customer accounted for approximately 7% (2010: 7%) 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 53% (2010: 78%) of the Group's total purchases for the year and the single largest supplier accounted for approximately 15% (2010: 31%) 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 2011, the Group had no material contingent liabilities.

RETIREMENT BENEFITS SCHEMES

Particulars of the retirement benefits schemes of the Group are set out in note 29 to the financial statements.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, options, warrants or instruments carrying other similar rights as at 31 March 2011.

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 2011, 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 30 to the financial statements.

Directors' Report

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 21 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, Terry (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 2011, the accounting principles and practices adopted by the Company and certain other matters relating to the internal control and financial reporting procedures of the Company.

SUFFICIENCY OF PUBLIC FLOAT

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of any subsidiaries and associated companies for the year ended 31 March 2011.

AUDITORS

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

On behalf of the Board

TONG Kit Shing
Chairman

Hong Kong, 30 June 2011

Independent Auditor's Report

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

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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 101, which comprise the consolidated and Company statements of financial position as at 31 March 2011, and 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Without qualifying our opinion, we draw attention to note 2(b) to the consolidated financial statements which indicates that the Group incurred a loss attributable to equity shareholders of the Company of approximately HK$185,156,000 for the year ended 31 March 2011 and, as of that date, the Group had significant accumulated losses of approximately HK$907,872,000. These conditions, along with other matters as set forth in note 2(b) to the consolidated 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 June 2011

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Turnover	5	**76,764**	148,286
Cost of sales		**(29,112)**	(71,074)
Gross profit		**47,652**	77,212
Valuation gains on investment property		**3,408**	–
Other revenue and net income	6	**11,894**	5,497
Selling and distribution expenses		**(32,496)**	(36,021)
General and administrative expenses		**(94,030)**	(162,937)
Impairment loss on trade receivables		**(700)**	(83)
Impairment loss on goodwill		**(90,000)**	(30,510)
Impairment loss on other receivables, deposit and prepayments		**–**	(24,877)
Impairment loss on intangible assets		**(9,756)**	(123,969)
Impairment loss on property, plant and equipment		**(8,819)**	(22,215)
Loss on disposal of intangible assets		**–**	(13,159)
Loss on disposal of property, plant and equipment		**–**	(47,434)
Property, plant and equipment written off		**(572)**	(65,572)
Bad debts written off		**(4,163)**	–
Inventories written off		**–**	(3,062)
Loss from operation		**(177,582)**	(447,130)
Finance costs	7(a)	**(1,938)**	(2,455)
Share of loss of associates		**(3,230)**	(886)
Loss before taxation	7	**(182,750)**	(450,471)
Income tax	8	**(2,406)**	(4,182)
Loss for the year		**(185,156)**	(454,653)
Other comprehensive income			
Exchange differences arising on translation of financial statements of foreign entities		**8,302**	8,986
Total comprehensive loss for the year		**(176,854)**	(445,667)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Loss attributable to:			
Equity shareholders of the Company		**(185,156)**	(454,653)
Total comprehensive loss attributable to:			
Equity shareholders of the Company		**(176,854)**	(445,667)
Loss per share			
Basic (cents per share)		**(14.19)**	(8.00)
Diluted (cents per share)		**N/A**	N/A

The notes on pages 39 to 101 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	15	**200,910**	239,131
Investment property	16	**19,728**	4,925
Leasehold land and land use rights	17	**17,962**	22,188
Goodwill	18	**259,416**	349,416
Intangible assets	19	**308,570**	327,132
Interests in associates	21	**10,619**	13,333
		817,205	956,125
Current assets			
Leasehold land and land use rights	17	**1,050**	1,597
Inventories	22	**5,900**	4,274
Trade receivables	23	**16,710**	14,288
Other receivables, deposits and prepayments	24	**64,424**	71,643
Cash and cash equivalents	25	**16,545**	62,943
		104,629	154,745
Current liabilities			
Trade payables	26	**5,345**	13,169
Accrued charges and other payables		**15,527**	16,143
Amounts due to directors	27	**8,772**	5,928
Amounts due to associates	27	**15,819**	18,442
Bank loans	28	**23,766**	15,355
Other borrowings	28	**–**	16,720
Tax payables	30(a)	**2,472**	455
		71,701	86,212
Net current assets		**32,928**	68,533
Total assets less current liabilities		**850,133**	1,024,658
Non-current liabilities			
Other borrowings	28	**1,545**	–
Deferred tax liabilities	30(b)	**784**	–
		2,329	–
NET ASSETS		**847,804**	1,024,658

Consolidated Statement of Financial Position

As at 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
CAPITAL AND RESERVES			
Share capital	31	**13,048**	13,048
Reserves	32	**834,756**	1,011,610
TOTAL EQUITY		**847,804**	1,024,658

Approved and authorised for issue by the board of directors on 30 June 2011 and are signed on its behalf by :

Tong Kit Shing
Director

Liu Guoyao
Director

The notes on pages 39 to 101 form part of these financial statements.

Statement of Financial Position

As at 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Investments in subsidiaries	20	**–**	–
Current assets			
Amounts due from subsidiaries	20	**787,994**	1,089,592
Other receivables, deposits and prepayments	24	**507**	207
Cash and cash equivalents	25	**1,634**	36,201
		790,135	1,126,000
Current liabilities			
Accrued charges and other payables		**1,103**	322
Amounts due to directors	27	**4,427**	2,427
		5,530	2,749
Net current assets		**784,605**	1,123,251
Total assets less current liabilities		**784,605**	1,123,251
NET ASSETS		**784,605**	1,123,251
CAPITAL AND RESERVES			
Share capital	31	**13,048**	13,048
Reserves	32	**771,557**	1,110,203
TOTAL EQUITY		**784,605**	1,123,251

Approved and authorised for issue by the board of directors on 30 June 2011 and are signed on its behalf by:

Tong Kit Shing
Director

Liu Guoyao
Director

The notes on pages 39 to 101 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Capital reserve	Statutory reserve	Share-based payments reserve	Distributable reserve	Exchange reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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 reorganisation	(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
Total comprehensive (loss)/ income for the year	–	–	–	–	–	–	8,302	(185,156)	(176,854)
At 31 March 2011	**13,048**	**250,889**	**(267)**	**6,289**	**48,147**	**1,291,798**	**145,772**	**(907,872)**	**847,804**

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

The notes on pages 39 to 101 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
Operating activities		
Loss before taxation	**(182,750)**	(450,471)
Adjustments for:		
Amortisation of intangible assets	**30,219**	43,247
Amortisation of leasehold land and land use rights	**1,628**	1,596
Depreciation	**35,318**	44,534
Equity settled share-based payment expenses	**–**	36,296
Interest expenses	**1,683**	2,323
Interest income	**(132)**	(226)
Amount waived by a creditor	**(3,002)**	–
Share of loss of associates	**3,230**	886
(Gain)/loss on disposal of property, plant and equipment	**(276)**	47,434
Impairment loss on trade receivables	**700**	83
Impairment loss on goodwill	**90,000**	30,510
Impairment loss on other receivables, deposits and prepayments	**–**	24,877
Impairment loss on property, plant and equipment	**8,819**	22,215
Impairment loss on intangible assets	**9,756**	123,969
Valuation gains on investment property	**(3,408)**	–
Loss on disposal of intangible assets	**–**	13,159
Property, plant and equipment written off	**572**	65,572
Bad debts written off	**4,163**	–
Inventories written off	**–**	3,062
Reversal of impairment of inventories	**(168)**	–
Reversal of impairment of trade and other receivables	**(3,540)**	–
Effect of foreign exchange rate changes	**(18,287)**	7,984
Operating cash flows before movements in working capital	**(25,475)**	17,050
Movement in:		
(Increase)/decrease in inventories	**(1,458)**	1,234
Decrease in trade and other receivables, deposits and prepayments	**3,474**	121,730
Increase/(decrease) in amounts due to directors	**2,844**	(6,144)
(Decrease)/increase in amounts due to associates	**(2,623)**	18,442
(Decrease) in trade payables, accrued charges and other payables	**(5,438)**	(44,820)
Cash (used in)/generated from operations	**(28,676)**	107,492
Interest paid	**(1,683)**	(2,323)
Income taxes refunded/(paid)	**376**	(24,021)
Net cash (used in)/generated from operating activities	**(29,983)**	81,148

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
Investing activities		
Net cash outflow from acquisition of an associate	–	(3,980)
Payment for the purchase of property, plant and equipment	(3,932)	(1,003)
Proceeds from disposal of property, plant and equipment	813	341
Payment for the purchase of intangible assets	(7,514)	(190,715)
Proceed from disposal of intangible assets	–	1,867
Interest received	132	226
Net cash used in investing activities	(10,501)	(193,264)
Financing activities		
New borrowing raised from other borrowings	1,545	16,720
New borrowing raised from bank loans	23,766	–
Repayment of bank loans and other borrowings	(32,075)	(36,691)
Proceeds from issue of new shares	–	144,982
Net cash (used in)/generated from financing activities	(6,764)	125,011
Net (decrease)/increase in cash and cash equivalents	(47,248)	12,895
Cash and cash equivalents at beginning of year	62,943	50,009
Effect of changes in foreign exchange rate	850	39
Cash and cash equivalents at end of year	16,545	62,943

The notes on pages 39 to 101 form part of these financial statements.

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 Company.

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 reflected in these financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2011 comprise the Company and its subsidiaries (collectively referred to as the "Group").

The Group incurred a loss for the year attributable to equity shareholders of the Company of approximately HK$185,156,000 and had significant accumulated losses of approximately HK$907,872,000 as at 31 March 2011. 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Basis of preparation of the financial statements *(Continued)*

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 investment property which are stated at their fair value as explained in the accounting policies set out below:

The preparation of financial statements in conformity with 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

c) Subsidiaries and non-controlling 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, which the Group has not agreed any additional terms with the holders of those interests and in respect of which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(n) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 2(d)).

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 in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(e) and (k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

d) Associates *(Continued)*

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 2(k)).

e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)).

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 equity securities and other financial instruments

The Group's and the Company's policies for investments in equity securities and other financial instruments, other than investments in subsidiaries, are classified as available-for-sale securities, which 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. These investments are subsequently accounted for as follows:

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)).

Other investments in equity securities and other financial instruments are remeasured at fair value at the end of the reporting period with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(t)(iii). When these investments are derecognised or impaired (see note 2(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

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

g) Investment property

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).

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).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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%
– Construction in progress	Nil

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 under the category of "product development in progress" if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development and the cost can be reliably measured. Upon commencement of the commercial production of a product, the expenditure on development activities is transferred to "deferred development costs" and amortised on a straight line basis over the period of its expected benefit. Research and development costs comprise costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Deferred 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:

– Trademark and certificates	5 – 10 years
– Technical know-how	5 – 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 equity securities and trade and other receivables

Investments in 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 each 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 equity securities and trade and other receivables (Continued)

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

– For investments in subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).For investments in subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

– 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

k) Impairment of assets *(Continued)*

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each 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);
- investment property;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- intangible assets; and
- goodwill.

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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.

– Reversal 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

k) Impairment of assets *(Continued)*

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)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This in the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not in profit or loss.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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-Merton Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 each 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

r) Income tax *(Continued)*

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.

s) 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 statement of comprehensive income 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

t) Revenue recognition *(Continued)*

(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 profit and loss 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.

(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 the 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

u) Translation of foreign currencies *(Continued)*

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRS, a number of amendments to HKFRSs and two 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 3 (revised 2008), Business combinations

– Amendments to HKAS 27, Consolidated and separate financial statements

– Amendment to HKAS 39, Financial Instruments: Recognition and measurement – eligible hedged items

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The amendment to HKAS 39 has had no material impact on the Group's financial statements as the amendment's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

– The impact of the majority of the revisions to HKFRS 3 and other revision of HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

– The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests have had no material impact as there is no requirement to restate amounts recorded in previous period and no such deferred tax assets or losses arose in the current period.

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.

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 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.

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

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 judgement. 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.

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

As described in note 33, 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 Black-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 33.

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.

	2011	2010
	HK$'000	HK$'000
Sales of pharmaceutical products	**76,764**	148,286

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

	2011	2010
	HK$'000	HK$'000
Interest income	**132**	226
Rental income from investment property	**974**	512
Government grants for research and development project	**2,150**	1,171
Exchange gain/(loss), net	**84**	(5)
Reversal of impairment on trade and other receivables	**3,540**	226
Amount waived by a creditor	**3,002**	–
Gain on disposal of property, plant and equipment	**276**	–
Reversal of impairment on inventories	**168**	–
Sundry income	**1,568**	3,367
	11,894	5,497

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

		2011 HK$'000	2010 HK$'000
a)	Finance costs		
	Interest on bank borrowings wholly repayable within five years	**1,683**	2,323
	Bank handling charges	**255**	132
	Total borrowing costs	**1,938**	2,455
b)	Staff costs (including directors' emoluments)		
	Contributions to defined contribution retirement plans	**662**	438
	Salaries, wages and other benefits	**13,250**	9,787
	Equity settled share-based payments expenses	**–**	36,296
		13,912	46,521
	Less: Staff costs included in research and development costs	**(323)**	(333)
		13,589	46,188
c)	Other items		
	Auditor's remuneration	**1,100**	1,100
	Cost of inventories	**33,933**	70,572
	Amortisation of intangible assets	**30,219**	43,247
	Amortisation of land use rights	**1,628**	1,596
	Depreciation	**35,318**	44,534
	Less: Depreciation included in research and development costs	**(438)**	(13,089)
		34,880	31,445
	Minimum lease payments – property rentals		
	Operating lease charges:	**71**	376
	Research and development costs	**12,968**	360,814
	Less: Capitalisation on intangible assets	**(7,514)**	(170,908)
		5,454	189,906

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Income tax in the consolidated statement of comprehensive income represents:

	2011	2010
	HK$'000	HK$'000
Current tax – Overseas		
PRC enterprise income tax for the year	**1,941**	4,555
Overprovision in prior years	**(300)**	(373)
	1,641	4,182
Deferred tax		
Origination and reversal of temporary differences	**765**	–
	2,406	4,182

a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group did not have any assessable profits arising in Hong Kong during the year (2010: Nil).

Pursuant to the Corporate Income Tax Law of PRC, the statutory tax rate applicable to the Group's PRC subsidiaries is 25%, except for Shenzhen Watsin Genetech Pharmaceutical Co., Limited, which was recognised as advanced and new technology enterprises to enjoy a preferential enterprise income tax rate of 15%.

Pursuant to the Corporate Income Tax Law of the PRC and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. The Group is subject to withholding tax rate of 5% on retained earnings beginning on 1 January 2008.

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

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

	2011 **HK$'000**	2010 HK$'000
Loss before income tax	**(182,750)**	(450,471)
Notional tax on loss before income tax, calculated at the rate applicable to loss in the countries concerned	**(36,928)**	(105,992)
Tax effect of non-taxable income	**(4,196)**	(66,018)
Tax effect of non-deductible expenses	**33,544**	121,419
Effect of tax concessionary rates granted to the PRC subsidiaries	**(1,295)**	(608)
Overprovision in prior years	**(300)**	(373)
Tax effect of unused tax losses not recognised	**11,581**	55,754
Actual tax expense	**2,406**	4,182

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 2011

	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	13	–	6	139
Liu Guoyao	–	–	–	–	–
Independent Non-executive Directors					
Zhou Yaoming	50	–	–	–	50
Lin Jian	50	–	–	–	50
Tsao Hoi Ho (appointed on 7 May 2010)	108	–	–	–	108
Lou Lok Kuong (appointed on 25 June 2010)	92	–	–	–	92
Leung Ka Chun (appointed on 25 June 2010)	92	–	–	–	92
	512	13	–	6	531

9 DIRECTORS' REMUNERATION *(Continued)*

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

During the year, no (2010: 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 (2010: 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 (2010: Nil) is director whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other five (2010: five) individuals are as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other emoluments	**2,207**	1,365
Share-based payments	**–**	–
Retirements schemes contributions	**40**	51
	2,247	1,416

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

The emoluments of the five (2010: five) individuals with the highest emoluments are within the following bands:

Their emoluments were within the following bands:

	2011 No. of employees	2010 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 SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of approximately HK$338,646,000 (2010: HK$339,113,000) 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 2011 (2010: Nil), nor has any dividend been proposed since the end of the reporting period (2010: Nil).

13 LOSS PER SHARE

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

	2011 HK$'000	2010 HK$'000
Loss for the year attributable to equity shareholders of the Company for the purpose of basic and diluted loss per share	**(185,156)**	(454,653)

	2011 Number of shares	2010 Number of shares
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**1,304,846,000**	5,671,016,718
Effect of dilutive potential ordinary shares – Share options	**59,854,951**	68,546,605
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	**1,364,700,951**	5,739,563,323

14 SEGMENT REPORTING

Segment revenues and results

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 2011

	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	20,459	14,159	42,146	76,764
Inter-segment sales	–	–	4,959	4,959
Reportable segment revenue	20,459	14,159	47,105	81,723
Reportable segment results – gross	5,307	9,046	33,299	47,652
Operating income and expenses	(13,208)	(20,441)	(68,314)	(101,963)
Impairment loss on trade receivables	(700)	–	–	(700)
Valuation (loss)/gain on investment property	–	(1,693)	5,101	3,408
Impairment loss on intangible assets	–	(2,258)	(7,498)	(9,756)
Impairment loss on property, plant and equipment	–	(8,819)	–	(8,819)
Property, plant and equipment written off	–	(514)	–	(514)
Bad debts written off	(4,163)	–	–	(4,163)
Segment results	(12,764)	(24,679)	(37,412)	(74,855)
Unallocated operating income and expenses				(102,727)
Operating loss				(177,582)
Finance costs				(1,938)
Share of loss of associates				(3,230)
Loss before taxation				(182,750)
Income tax				(2,406)
Loss for the year				(185,156)
Segment assets	65,453	109,289	484,592	659,334
Unallocated corporate assets				262,500
Total assets				921,834
Segment liabilities	31,961	3,204	28,640	63,805
Unallocated corporate liabilities				10,225
Total liabilities				74,030
Capital expenditure	–	1,539	9,826	11,365
Amortisation	–	3,692	28,155	31,847
Depreciation	9,841	10,135	15,314	35,290
Gain on disposal of property, plant and equipment	–	269	7	276

14 SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

Primary reporting format – business segments (Continued)

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
Inter-segment sales	4,089	–	–	4,089
Reportable segment revenue	87,936	10,418	54,021	152,375
Reportable segment results – gross	32,884	3,843	40,485	77,212
Operating income and 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 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	(31,516)	(257,940)	(82,796)	(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)*

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 2011

	Turnover HK$'000	**Total assets HK$'000**	**Capital expenditure HK$'000**
Hong Kong	**–**	**579,090**	**81**
PRC	**76,764**	**342,744**	**11,365**
	76,764	**921,834**	**11,446**

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
	148,286	1,110,870	195,699

Information about major customers

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

15 PROPERTY, PLANT AND EQUIPMENT

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							
At 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
At 31 March 2010	52,145	287,440	32,152	49,874	4,234	546	426,391
Additions	–	1,502	127	1,751	311	241	3,932
Disposals	–	(16,509)	(90)	(5,406)	(404)	(528)	(22,937)
Reclassified to investment property	(9,729)	–	–	–	–	–	(9,729)
Exchange differences	1,966	7,668	1,212	1,880	843	25	13,594
At 31 March 2011	44,382	280,101	33,401	48,099	4,984	284	411,251
Accumulated depreciation and impairment							
At 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 for the year	–	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
Charge for the year	2,747	27,628	1,639	2,649	655	–	35,318
Written back on disposals	–	(16,072)	(48)	(5,353)	(355)	–	(21,828)
Impairment for the year	–	8,105	–	714	–	–	8,819
Reclassified to investment property	(2,811)	–	–	–	–	–	(2,811)
Exchange differences	331	2,268	457	464	63	–	3,583
At 31 March 2011	19,764	131,944	28,861	25,705	4,067	–	210,341
Net book value							
At 31 March 2011	24,618	148,157	4,540	22,394	917	284	200,910
At 31 March 2010	32,648	177,425	5,339	22,643	530	546	239,131

16 INVESTMENT PROPERTY

	The Group	
	2011	2010
	HK$'000	HK$'000
Balance at beginning of year	**4,925**	4,920
Exchange differences	**307**	5
Reclassified from property, plant and equipment	**6,918**	–
Reclassified from leasehold land and land use right	**4,170**	–
Gains on revaluation	**3,408**	–
Balance at end of year	**19,728**	4,925

The fair values of the Group's investment properties at 31 March 2011 have been arrived at on the basis of a valuation carried out at that date by Messrs. AA Property Services Limited, independent qualified valuers not connected to the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

Investment properties are located in the PRC and certain of them were pledged as collateral for the Group's bank borrowings (Note 28 and 34).

The Group leases out investment properties under operating lease. The lease typically run for an initial period of 1 to 2 years, with an option to renew after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2011	2010
	HK$'000	HK$'000
Within 1 year	**1,254**	563
After 1 year but within 5 years	**544**	88
	1,798	651

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:

	The Group	
	2011	2010
	HK$'000	HK$'000
Balance at beginning of year	**23,785**	25,359
Amortisation	**(1,628)**	(1,596)
Reclassified to investment property	**(4,170)**	–
Exchange differences	**1,025**	22
Balance at end of year	**19,012**	23,785
Analysed for reporting purposes as:		
Current assets	**1,050**	1,597
Non-current assets	**17,962**	22,188
	19,012	23,785
The Group's leasehold land and land use rights payments comprise:		
– Medium-term lease in the PRC	**7,803**	9,001
– Short-term lease in the PRC	**11,209**	14,784
	19,012	23,785

Certain leasehold land and land use rights were pledged as collateral for bank borrowings (Note 28 and 34).

18 GOODWILL

	HK$'000
Cost	
At 1 April 2009, 31 March 2010 and 31 March 2011	573,552
Accumulated impairment losses	
At 1 April 2009	(193,626)
Impairment for the year	(30,510)
At 31 March 2010	(224,136)
Impairment for the year	(90,000)
At 31 March 2011	(314,136)
Carrying amount	
At 31 March 2011	259,416
At 31 March 2010	349,416

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

	2011 **HK$'000**	2010 HK$'000
Pharmaceutical products – the PRC	**259,416**	349,416

The recoverable amount of the CGU is determined based on value-in-use calculations.

Key assumptions used for value-in-use calculations:

	2011 **%**	2010 %
Gross margin	**24-40**	20-29
Growth rate	**0-40**	0-15
Discount rate	**20-24**	28

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 value-in-use of the CGU 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$90,000,000 for the year ended 31 March 2011 (2010: HK$30,510,000).

19 INTANGIBLE ASSETS

The Group

	Trademarks and certificates HK$'000	Technical know-how HK$'000	Product development in progress HK$'000	Total HK$'000
Cost				
At 1 April 2009	361,927	64,500	–	426,427
Additions	–	19,807	170,908	190,715
Disposals	(13,462)	(17,061)	–	(30,523)
Exchange differences	142	59	–	201
At 31 March 2010	348,607	67,305	170,908	586,820
Additions	–	–	7,514	7,514
Exchange differences	15,619	3,015	7,657	26,291
At 31 March 2011	364,226	70,320	186,079	620,625
Accumulated amortisation and impairment				
At 1 April 2009	100,858	6,959	–	107,817
Charge for the year	34,157	9,090	–	43,247
Impairment for the year	123,969	–	–	123,969
Written back on disposals	(13,650)	(1,847)	–	(15,497)
Exchange differences	142	10	–	152
At 31 March 2010	245,476	14,212	–	259,688
Charge for the year	23,359	6,860	–	30,219
Impairment for the year	9,756	–	–	9,756
Exchange differences	11,583	809	–	12,392
At 31 March 2011	290,174	21,881	–	312,055
Carrying amount				
At 31 March 2011	74,052	48,439	186,079	308,570
At 31 March 2010	103,131	53,093	170,908	327,132

Trademarks and certificates represent costs in obtaining trademarks and registration certificates for medicines.

Technical know-how mainly represents techniques and formulas acquired for the development of products and production technology.

Product development in progress mainly represent costs generated internally for the development of products and product technology.

19 INTANGIBLE ASSETS *(Continued)*

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

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

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$9,756,000 for the year ended 31 March 2011 (2010: HK$123,969,000).

20 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	–
Amounts due from subsidiaries	**1,574,843**	1,546,592
Less: Impairment loss	**(786,849)**	(457,000)
	787,994	1,089,592

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 2011 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 RMB100,060,960	100%

* Shares held directly by the Company.

21 INTERESTS IN ASSOCIATES

	The Group	
	2011	2010
	HK$'000	HK$'000
Share of net assets	**10,619**	13,333
Unlisted shares, at cost	**14,854**	14,217

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:

	2011	2010
	HK$'000	HK$'000
Total assets	**29,529**	33,447
Total liabilities	**4,124**	1,293
Net assets	**25,405**	32,154
Group's share of net assets of associates	**10,619**	13,333
Total revenue	**–**	–
Loss for the year	**(4,626)**	(1,975)
Group's share of loss of associates	**(3,230)**	(886)

22 INVENTORIES

	The Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**1,811**	786
Work in progress	**743**	657
Finished goods	**3,346**	2,831
	5,900	4,274

23 TRADE RECEIVABLES

	The Group	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**16,710**	14,288

At 31 March 2011, trade receivables of the Group amounting to approximately HK$7,071,000 (2010: approximately HK$29,022,000) were determined to be impaired. These receivables were due from companies with financial difficulties. The Group does not hold any collateral over these balances.

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

	The Group	
	2011	2010
	HK$'000	HK$'000
Within 30 days	**5,872**	5,268
31 – 60 days	**1,418**	3,590
61 – 90 days	**4,104**	3,567
Over 90 days	**12,387**	30,885
	23,781	43,310
Less: Provision for impairment	**(7,071)**	(29,022)
	16,710	14,288

Customers are generally granted with credit terms of 120 days (2010: 120 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	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**14,861**	11,303
Past due and not impaired		
Not more than one month past due	**810**	1,181
Over one month past due	**1,039**	1,804
	1,849	2,985
	16,710	14,288

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

	The Group	
	2011	2010
	HK$'000	HK$'000
At 1 April	**29,022**	28,997
Impairment loss recognised	**700**	83
Bad debts written off	**(21,186)**	–
Reversal of impairment	**(2,485)**	(226)
Exchange differences	**1,020**	168
At 31 March	**7,071**	29,022

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

	The Group	
	2011	2010
	HK$'000	HK$'000
RMB	**16,710**	14,288

24 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits for purchases of technical know-how *(note a)*	**47,712**	44,529	**–**	–
Deposits and prepayments for purchases of plant and machinery *(note a)*	**10,535**	–	**–**	–
Other receivables and prepayments *(note b)*	**32,805**	53,623	**507**	207
	91,052	98,152	**507**	207
Less: impairment	**(26,628)**	(26,509)	**–**	–
	64,424	71,643	**507**	207

a) Capital commitments of the Group in respect of the remaining unpaid balances of approximately HK$13,256,000 (2010: HK$4,948,000) for the purchases of technical know-how and plant and machinery are disclosed in note 35 to the financial statements.

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

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

	The Group	
	2011	2010
	HK$'000	HK$'000
At 1 April	**26,509**	1,628
Impairment loss recognised	**–**	24,877
Reversal of impairment	**(1,055)**	–
Exchange differences	**1,174**	4
At 31 March	**26,628**	26,509

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

	The Group	
	2011	2010
	HK$'000	HK$'000
RMB	**63,566**	61,715

25 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**16,545**	62,943	**1,634**	36,201
Cash and cash equivalents in the statement of financial position	**16,545**	62,943	**1,634**	36,201
Cash and cash equivalents in the consolidated statement of cash flows	**16,545**	62,943		

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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**13,640**	22,557	**–**	–

26 TRADE PAYABLES

	The Group	
	2011	2010
	HK'000	HK'000
Trade payables	**5,345**	13,169

At 31 March 2011, 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	
	2011	2010
	HK'000	HK'000
Within 30 days	**389**	2,974
31-60 days	**168**	1,806
61-90 days	**753**	3,591
Over 90 days	**4,035**	4,798
	5,345	13,169

26 TRADE PAYABLES *(Continued)*

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

	2011 HK'000	2010 HK'000
RMB	**5,345**	13,169

27 AMOUNTS DUE TO DIRECTORS/ASSOCIATES

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

28 BANK LOANS AND OTHER BORROWINGS

	The Group	
	2011 **HK'000**	2010 HK'000
Bank loans repayable:		
Within 1 year or on demand	**23,766**	15,355
After 1 year but within 2 years	**–**	–
	23,766	15,355
Other loans repayable:		
Within 1 year or on demand	**–**	16,720
After 1 year but within 2 years	**1,545**	–
	25,311	32,075
Less: Amount due within 1 year shown under current liabilities	**(23,766)**	(32,075)
	1,545	–
Secured	**23,766**	15,355
Unsecured	**1,545**	16,720
	25,311	32,075

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.

	2011 **HK'000**	2010 HK'000
RMB	**25,311**	32,075

28 BANK LOANS AND OTHER BORROWINGS *(Continued)*

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.

The other loans are interest-free, unsecured and will be repayable in May 2012.

Bank loans amounted to HK$23,766,000 (2010: HK$15,355,000) are secured by investment properties and leasehold land and land use rights of the Group with carrying amount of HK$7,137,000 (2010: HK$4,925,000) and HK$11,209,000 (2010: HK$23,785,000) respectively (Note 34).

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 other loans are calculated by discounting their expected future cash flows at market rates.

29 EMPLOYEES RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$20,000. Apart from the mandatory contributions, the employer would make monthly voluntary contributions. The aggregate of the mandatory and voluntary contributions made by the employer represents 5% of the basic salary of the employees. Mandatory contributions to the plan vest immediately. Where there are employees who leave the Group prior to vesting fully in the voluntary contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Employees in the Group's PRC subsidiaries are members of the state-managed retirement scheme. The PRC subsidiaries are required to contribute a specified percentage of the payroll to the scheme. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

The Group has no other material obligation for payment of retirement benefits beyond the annual contributions as described above.

30 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2011	2010
	HK'000	HK'000
PRC enterprise income tax	**2,472**	455

(b) Deferred tax liabilities recognised

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:

	The Group Revaluation of investment property
	HK'000
At 1 April 2010	–
Charged to profit or loss	765
Exchange differences	19
At 31 March 2011	784

(c) Deferred tax assets not recognised

The Group has unrecognised tax losses of HK$545,311,000 (2010: HK$498,988,000) at the end of the reporting period. No deferred tax assets have been recognised for such tax losses due to unpredictability of future profits streams.

Losses to expire are shown as below	**The Group**
	HK'000
2013/14	271,582
2014/15	227,406
2015/16	46,323
	545,311

31 SHARE CAPITAL

		Note	Nominal value per share HK$	Number of shares '000	Amount HK$'000
a)	Authorised:				
	At 1 April 2009		0.10	50,000,000	5,000,000
	Consolidation of shares	(b)(i)		(45,000,000)	–
			1.00	5,000,000	5,000,000
	Reduction of share capital	(b)(iii)		–	(4,950,000)
			0.01	5,000,000	50,000
	Increased	(b)(iv)	0.01	495,000,000	4,950,000
	At 31 March 2010 and 31 March 2011		0.01	500,000,000	5,000,000
	Issued and fully paid:				
	At 1 April 2009		0.10	8,698,975	869,898
	Issue of shares upon open offer with bonus issue	(a)	0.10	4,349,488	434,948
			0.10	13,048,463	1,304,846
	Consolidation of shares	(b)(i)	1.00	(11,743,617)	–
				1,304,846	1,304,846
	Reduction of capital	(b)(ii)		–	(1,291,798)
	At 31 March 2010 and 31 March 2011		0.01	1,304,846	13,048

a) 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.

b) 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 authorised 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.

31 SHARE CAPITAL *(Continued)*

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

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

Exercise period	Exercise price	2011 Number of shares '000	2010 Number of shares '000
19 June 2006 to 21 October 2011	HK$1.963	7,159	7,159
28 January 2008 to 21 September 2016	HK$4.51	5,677	5,677
26 May 2009 to 21 September 2016	HK$1.00	73,500	73,500
		86,336	86,336

Each option entitles the holders to subscribe for one ordinary share in the Company. Further details of these options are set out in note 33 to the financial statements.

e) 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 2011 and 2010 were as follows:

	2011 HK'000	2010 HK'000
Debts	**25,311**	32,075
Less: Cash and cash equivalents (Note 25)	**(16,545)**	(62,943)
Net debts	**(8,766)**	(30,868)
Total equity	**847,804**	1,024,658
Gearing ratio	**N/A**	N/A

Debts comprise the bank loans and other borrowings.

32 RESERVES

The Group

	Attributable to equity shareholders 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 HK$'000	Total HK$'000
At 1 April 2009	540,855	(267)	6,289	11,851	–	128,484	(268,063)	419,149
Total comprehensive (loss)/ income for the year	–	–	–	–	–	8,986	(454,653)	(445,667)
Issue of shares – bonus issue	(289,966)	–	–	–	–	–	–	(289,966)
Equity settled share-based payment transaction	–	–	–	36,296	–	–	–	36,296
Capital re-organisation	–	–	–	–	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
Total comprehensive (loss)/ income for the year	–	–	–	–	–	8,302	(185,156)	(176,854)
At 31 March 2011	250,889	(267)	6,289	48,147	1,291,798	145,772	(907,872)	834,756

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

32 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 1 April 2009	612,458	11,851	–	(213,121)	411,188
Total comprehensive loss for the year	–	–	–	(339,113)	(339,113)
Issue of shares – bonus share	(289,966)	–	–	–	(289,966)
Equity settled share-base payment transaction	–	36,296	–	–	36,296
Capital reorganisation	–	–	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
Total comprehensive loss for the year	–	–	–	(338,646)	(338,646)
At 31 March 2011	322,492	48,147	1,291,798	(890,880)	771,557

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

32 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 2(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 2011, the aggregate amount of the Company's reserve available for distribution to shareholders was approximately HK$723,410,000 (2010: HK$1,062,056,000) 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 (2010: HK$322,492,000) and distributable reserve of approximately HK$1,291,798,000 (2010: HK$1,291,798,000) less accumulated losses of approximately HK$890,880,000 (2010: HK$552,234,000), 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.

33 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").

33 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 Nil (2010: less than HK$1,000). The consideration is required to be settled within 21 days from the issue of the share option offer.

33 SHARE OPTIONS *(Continued)*

Details of the share option movements during the year ended 31 March 2011 under 2006 Scheme are as follows:

	Number of share options									
	Outstanding at 31 March 2010 and 1 April 2010 '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 2011 '000	Exercise price	Date of grant	Exercise period	Remaining contractual life
Employees	7,159	–	–	–	–	7,159	1.9630	19 June 2006	19 June 2006 to 21 October 2011	0.56 years
Employees	1,551	–	–	–	–	1,551	4.5100	28 January 2008	28 January 2008 to 21 September 2016	5.48 years
Others	4,126	–	–	–	–	4,126	4.5100	28 January 2008	28 January 2008 to 21 September 2016	5.48 years
Others	73,500	–	–	–	–	73,500	1.0000	26 May 2009	26 May 2009 to 21 September 2016	5.48 years
	86,336	–	–	–	–	86,336				
Exercisable at the end of the year						86,336				
Weighted average exercise price (HK$)	1.3107	N/A	N/A	N/A	N/A	1.3107				

33 SHARE OPTIONS *(Continued)*

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

	Number of share options										
	Outstanding at 31 March 2009 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 HK$	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					
Weighted 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 Capital Reorganisation.

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").

	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.

34 PLEDGE OF ASSETS

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

	The Group	
	2011	2010
	HK$'000	HK$'000
Investment properties (Note 16)	**7,137**	4,925
Leasehold land and land use rights (Note 17)	**11,209**	23,785
	18,346	28,710

35 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	
	2011	2010
	HK$'000	HK$'000
Contracted for:		
– Purchases of technical know-how	**3,981**	4,948
– Purchases of property, plant and equipment	**9,275**	–
– Capital injection to a subsidiary	**–**	22,748
	13,256	27,696

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	
	2011	2010
	HK$'000	HK$'000
Within 1 year	**1,439**	679
After 1 year but within 5 years	**404**	358
	1,843	1,037

36 RELATED PARTY TRANSACTIONS

a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2011	2010
	HK$'000	HK$'000
Short-term employee benefits	**525**	271
Post-employment benefits	**6**	12
	531	283

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

b) There were no material related party transactions during the year (2010: Nil).

c) Balances with the related parties as at 31 March 2011 are stated in notes 20, 21 and 27.

37 CONTINGENT LIABILITIES

There were no significant contingent liabilities as at 31 March 2011 and 2010.

38 MAJOR NON-CASH TRANSACTION

There was no major non-cash transaction during the year ended 31 March 2011 and 2010.

39 FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risk through its use of financial instruments in its ordinary course of operations and its investment activities. The financial risks include market risk (including foreign 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.

39 FINANCIAL RISK MANAGEMENT *(Continued)*

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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables:				
Trade receivables	**16,710**	14,288	**–**	–
Other receivables, deposits and prepayments	**23,933**	19,125	**507**	207
Amounts due from subsidiaries	**–**	–	**787,994**	1,089,592
Cash and cash equivalents	**16,545**	62,943	**1,634**	36,201
	57,188	96,356	**790,135**	1,126,000
Financial liabilities				
Financial liabilities measured at amortised costs:				
Trade payables	**5,345**	13,169	**–**	–
Accrued charges and other payables	**14,843**	9,260	**1,103**	322
Amounts due to associates	**15,819**	118,442	**–**	–
Amounts due to directors	**8,772**	5,928	**4,427**	2,427
Bank loans	**23,766**	15,355	**–**	–
Other borrowings	**1,545**	16,720	**–**	–
	70,090	178,874	**5,530**	2,749

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

39 FINANCIAL RISK MANAGEMENT *(Continued)*

b) Foreign currency risk *(Continued)*

(i) 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:

	2011	2010
	HK$'000	HK$'000
Financial assets		
Trade receivables	**16,710**	14,288
Other receivables, deposits and prepayments	**63,566**	25,664
Cash and cash equivalents	**13,640**	22,557
	93,916	62,509
Financial liabilities		
Trade payables	**(5,345)**	(13,169)
Accrued charges and other payables	**(14,014)**	(14,011)
Bank loans and other borrowings	**(25,311)**	(32,075)
	49,246	3,254

(ii) *Sensitivity analysis*

The following table illustrates the sensitivity of the Group's loss after tax for the year and equity in regards to a 5% (2010: 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.

	2011	2010
	RMB	RMB
	HK$'000	HK$'000
Loss for the year and accumulated losses	**(2,462)**	(163)

A 5% appreciation in the group entities' reporting currencies against RMB would have the same magnitude on the Group's loss 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 2010.

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

39 FINANCIAL RISK MANAGEMENT *(Continued)*

c) Interest rate risk

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

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

The Group will review whether bank loans bearing floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The interest rates and repayment terms of bank borrowings and cash and bank balances of the Group are disclosed in note 28 and 25 respectively. The Group currently does not have an interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate exchange exposure should the need arises. The policies to management interest rate risk have been followed by the Group since prior year and are considered to be effective.

(ii) Sensitivity analysis

The following table illustrates the sensitivity of the Group's loss of the year and equity to a possible change in interest rates of +/-1% (2010: +/-1%), with effect from the beginning of the year. The calculations are based on the Group's bank loan at the end of the reporting period. All other variables are held constant.

		2011			2010	
	Change in interest rate	**Increase/ (Decrease) loss for the year HK$'000**	**Increase/ (Decrease) accumulated losses HK$'000**	Change in interest rate	Increase/ (Decrease) loss for the year HK$'000	Increase/ (Decrease) accumulated losses HK$'000
Bank loans	**+1%**	**238**	**238**	+1%	154	154
	-1%	**(238)**	**(238)**	-1%	(154)	(154)

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 2010 has been prepared on the same basis.

39 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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets – carrying amounts				
Trade receivables	**16,710**	14,288	**–**	–
Other receivables and deposits	**23,933**	24,648	**507**	207
Amount due from subsidiaries	**–**	–	**787,994**	1,089,592
Cash and cash equivalents	**16,545**	62,943	**1,634**	36,201
	57,188	101,879	**790,135**	1,126,000

(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 2011, these major customers have trade receivables of approximately HK$3,286,000 (2010: HK$4,990,000) out of the total trade receivables of HK$16,710,000 (2010: HK$14,288,000) 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.

39 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.

39 FINANCIAL RISK MANAGEMENT *(Continued)*

e) Liquidity risk *(Continued)*

Analysed below is the Group's and Company's remaining contractual maturities for its non-derivative financial liabilities as at 31 March 2011. 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.

At 31 March 2011:

	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Group				
Trade payables	5,345	–	5,345	5,345
Accrued charges and other payables	14,843	–	14,843	14,843
Amounts due to associates	15,819	–	15,819	15,819
Amounts due to directors	8,772	–	8,772	8,772
Bank loans	24,233	–	24,233	23,766
Other borrowings	–	1,545	1,545	1,545
	69,012	1,545	70,557	70,090

	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Company				
Accrued charges and other payables	1,103	–	1,103	1,103
Amounts due to directors	4,427	–	4,427	4,427
	5,530	–	5,530	5,530

39 FINANCIAL RISK MANAGEMENT *(Continued)*

e) Liquidity risk *(Continued)*

At 31 March 2010:

	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Group				
Trade payables	13,169	–	13,169	13,169
Accrued charges and other payables	9,260	–	9,260	9,260
Amounts due to associates	118,442	–	118,442	118,442
Amounts due to directors	5,928	–	5,928	5,928
Bank loans	16,276	–	16,276	15,355
Other borrowings	16,720	–	16,720	16,720
	179,795	–	179,795	178,874

	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Company				
Accrued charges and other payables	322	–	322	322
Amounts due to directors	2,427	–	2,427	2,427
	2,749	–	2,749	2,749

39 FINANCIAL RISK MANAGEMENT *(Continued)*

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 2011 and 2010.

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.

40 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

The capital structure of the Group consists of net debts, which includes the bank loans and other borrowings disclosed in note 31, net of cash and cash equivalents and equity attributable to equity shareholders 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 2011 and 2010.

41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 30 June 2011.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2011

Up to 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 2011 and which have not been early adopted in these financial statements:

	Effective for accounting periods beginning on or after
Revised HKAS 24, Related party disclosures	1 January 2011
HKFRS 9, Financial Instruments	1 January 2013
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011
Amendments to HKAS 12, Income tax	1 January 2012

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 2011 prepared on the basis set out in the note below:

RESULTS

	For the year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**76,764**	148,286	526,270	869,946	259,519
Profit/(Loss) before tax	**(182,750)**	(450,471)	(455,212)	337,514	115,981
Income tax expense	**(2,406)**	(4,182)	(53,111)	(139,134)	(55,665)
Profit/(Loss) for the year	**(185,156)**	(454,653)	(508,323)	198,380	60,316
Attributable to:					
Equity shareholders of the Company	**(185,156)**	(454,653)	(508,323)	198,380	60,322
Non-controlling interests	**–**	–	–	–	(6)
Profit/(Loss) for the year	**(185,156)**	(454,653)	(508,323)	198,380	60,316

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current Assets					
Property, plant and equipment	**200,910**	239,131	417,822	353,840	334,549
Investment property	**19,728**	4,925	4,920	5,277	–
Leasehold land and land use rights	**17,962**	22,188	23,718	28,144	14,697
Goodwill	**259,416**	349,416	379,926	573,552	557,541
Intangible assets	**308,570**	327,132	318,610	358,896	114,257
Interests in associates	**10,619**	13,333	9,980	9,979	–
Deferred tax asset	**–**	–	–	–	1,874
	817,205	956,125	1,154,976	1,329,688	1,022,918
Current Assets					
Leasehold land and land use rights	**1,050**	1,597	1,641	1,036	784
Inventories	**5,900**	4,274	8,570	9,115	15,352
Trade receivables	**16,710**	14,288	161,307	209,033	59,737
Other receivables, deposits and prepayments	**64,424**	71,643	71,088	278,823	142,919
Dividend receivable	**–**	–	–	–	42,868
Tax recoverable	**–**	–	–	–	1,100
Pledge bank deposit	**–**	–	–	–	219
Cash and cash equivalents	**16,545**	62,943	50,009	38,353	13,550
	104,629	154,745	292,615	536,360	276,529

Five Year Financial Summary

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Current Liabilities					
Trade payables	**5,345**	13,169	18,147	48,588	30,380
Accrued charges and other payables	**15,527**	16,143	55,985	86,233	55,311
Amounts due to directors	**8,772**	5,928	12,072	3,007	–
Amounts due to associates	**15,819**	18,442	–	–	–
Current portion of long term loan	**–**	–	–	–	12,645
Obligation of finance lease	**–**	–	–	–	161
Trust receipt	**–**	–	–	–	2,962
Tax payables	**2,472**	455	20,294	60,979	20,813
Bank loans	**23,766**	15,355	26,705	–	8,951
Other borrowings	**–**	16,720	10,000	10,000	–
	71,701	86,212	143,203	208,807	131,223
Net current assets	**32,928**	68,533	149,412	327,553	145,306
Total assets less current liabilities	**850,133**	1,024,658	1,304,388	1,657,241	1,168,224
Non-current liabilities					
Convertible bonds	**–**	–	–	–	51,876
Deferred tax liabilities	**784**	–	–	–	8,766
Obligation under finance lease	**–**	–	–	–	202
Bank loans	**–**	–	15,341	–	36,950
Other borrowings	**1,545**	–	–	–	–
	2,329	–	15,341	–	97,794
Net Assets	**847,804**	1,024,658	1,289,047	1,657,241	1,070,430

Particulars of Investment Property

As at 31 March 2011

Location	Type	Lease term
5th Floor and a portion of 3rd and 4th floor, no. 7 Keji Central, 1st Road, Nanshan District, Shenzhen, The People's Republic of China	Industrial	Short-term lease
Building 1, a portion of 2nd floor, 7 Xinghuo Street, Changping Sector of Zhongguancun Science Park, Changping District, Beijing, The People's Republic of China	Industrial	Medium-term lease
Building 2, 3rd floor and a portion of 2nd floor, 7 Xinghuo Street, Changping Sector of Zhongguancun Science Park, Changping District, Beijing, The People's Republic of China	Industrial	Medium-term lease