*For identification purposes only

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

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The Annual Report is printed on environmentally friendly paper.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tong Kit Shing *(Chairman)*

Mr. Liu Guoyao

Mr. Cheng Wai Man

Independent Non-Executive Directors

Mr. Zhou Yaoming

Mr. Lin Jian

Mr. So Yin Wai

AUDIT COMMITTEE

Mr. Zhou Yaoming

Mr. Lin Jian

Mr. So Yin Wai

REMUNERATION COMMITTEE

Mr. Tong Kit Shing

Mr. Cheng Wai Man

Mr. So Yin Wai

Mr. Zhou Yaoming

Mr. Lin Jian

NOMINATION COMMITTEE

Mr. Tong Kit Shing

Mr. Cheng Wai Man

Mr. So Yin Wai

Mr. Zhou Yaoming

Mr. Lin Jian

CHIEF EXECUTIVE OFFICER

Dr. Samuel Zia

COMPANY SECRETARY

Mr. Goldman Lee, CPA

QUALIFIED ACCOUNTANT

Mr. Goldman Lee, CPA

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

AUDITORS

Hopkins CPA Limited
Certified Public Accountants

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

Room 1502, 15th Floor
AXA Centre
No. 151 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Chiu & Partners
41/F., Jardine House
1 Connaught Place, Central
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd, Hong Kong Branch
Fubon Bank (Hong Kong) Limited

STOCK CODE

0690

WEBSITE

www.uni-bioscience.com

CHAIRMAN'S STATEMENT

FINAL RESULTS

During the year under review, Uni-Bio Science Group Limited and its subsidiaries ("the Group") recorded a consolidated turnover of HK$869,946,000, representing an increase of 235% compared with HK$259,519,000 recorded in the last corresponding period. The gross profit was HK$537,682,000 representing 3.12 times of the gross profit of HK$172,204,000 (adjusted) as of last year. The Group achieved a net income of approximately HK$198,380,000 for the year compared to a net income of approximately HK$60,316,000 in year 2007.

BUSINESS REVIEW

Distribution of pharmaceutical products

This division achieved a turnover of HK$463,847,000 with gross profit of HK$233,758,000 for the year ended 31 March 2008. The turnover and gross profit of the corresponding period was HK$212,526,000 and HK$133,030,000 respectively. The improvement in performance was mainly attributed to significant increase in market penetration, the increase in number of products distributed and growing demand for products distributed by the Group.

In-house chemical pharmaceutical products

After completion in December 2006 of the acquisition of Nan Hoo Properties Limited (which directly owns Beijing Genetech Pharmaceutical Co., Ltd., a wholly foreign-owned enterprise established in the PRC engaging principally in the manufacture of tablets, capsules, granules and large volume porenteral solutions and the research and development of pharmaceutical drugs with its own production facilities in Changping District, Zhong-Guan-Cun, Beijing, the PRC), the Group took advantage of its well balanced portfolio of chemical pharmaceutical products and established distribution networks. This division achieved a turnover and gross profit of HK$248,822,000 and HK$174,074,000 respectively for the year ended 31 March 2008. The turnover and gross profit of the corresponding period was HK$46,993,000 and HK$39,174,000 respectively. The improvement in performance was mainly attributed to the significant increase in market penetration, the increase in number of products distributed and growing demand for products manufactured by the Group.

In-house biological pharmaceutical products

After completion of the acquisition of Shenzhen Watsin Genetech Co., Ltd. (深圳市華生元基因工程發展有限公司) ("Shenzhen Watsin") through the acquisition of Zethanel Properties Limited in August 2007, the sales of recombinant human epidermal growth factor products ("rhEGF products") continued to grow. The sale of rhEGF products following the completion of acquisition of Shenzhen Watsin was accounted for as "in-house biological pharmaceutical products" and this division achieved a turnover of HK$157,277,000 and a gross profit of HK$129,850,000.

Packaging products, paper gifts items and promotional products business

During the year under review, the Group disposed of its packaging products, paper gifts items and promotional products business carried on by New Master Group Limited ("New Master" and its subsidiaries, "the New Master Group") for HK$36 million, resulting in a profit on disposal of HK$1,246,000.

Given the sustainable economic growth of the PRC and the increase in demand for pharmaceutical and healthcare products over the past years, the Company is optimistic about the future prospects of the pharmaceutical and healthcare industry. The Company believes and considers it more realistic that, by way of (i) re-deploying resources to expand the relatively more promising bio-science related business and (ii) disposal of the continuous loss-making printing and packaging business, the Group would result in a rationalization of its business direction and an increase in its profitability and market competitiveness.

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).

Chemical medicines in pipeline

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

PROSPECTS

The outlook for fiscal year 2008/2009 is favourable. The Company is optimistic that the business opportunities in the pharmaceutical and healthcare industry in the PRC will remain buoyant given the increasing income and health awareness of the mainland population. The Company will maintain its strategic focus on growth enhancement and anticipates the Group's overall business in fiscal year 2008/2009 to further prosper. It is one of the Company's primary objectives to make every effort to enhance the investment value of shareholders of the Company.

APPRECIATIONS

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

TONG Kit Shing
Chairman

29 September 2008

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the Group recorded a consolidated turnover of HK$869,946,000, representing an increase of 235% compared with HK$259,519,000 recorded in the last corresponding period. The gross profit was HK$537,682,000 representing 3.12 times of the gross profit of HK$172,204,000 (adjusted) as of last year. The Group achieved a net income of approximately HK$198,380,000 for the year compared to a net income of approximately HK$60,316,000 in year 2007.

The significant corporate events during the year under review include:

(i) Acquisition of 100% interest in Zethanel Properties Limited, holding the entire equity interests in Shenzhen Watsin Genetech Co. Ltd. (深圳市華生元基因工程發展有限公司) ("Shenzhen Watsin"). The acquisition was completed on 22 August 2007. Shenzhen Watsin is a wholly-foreign owned enterprise established in the PRC and it is principally engaged in the development, manufacturing and marketing of biopharmaceutical products. Its main products are recombinant human epidermal growth factor products ("rhEGF products") in liquid preparations primarily indicated for external use for burn and wound care. The flagship product, "GENETIME", is a liquid spray rhEGF formulation and has been granted a Class I prescription new drug certificate by the Ministry of Health of the PRC.

In July 2007, Shenzhen Watsin obtained the approval to distribute and sell its flagship rhEGF product "GENETIME" in the Russian Federation and have succeeded in making sales of such products in the Russian Federation following the grant of such approval.

The consideration for the acquisition was approximately HK$366.7 million and was settled partly in cash of HK$165,000,000 and the balance of approximately HK$201,700,000 by the allotment and issue of 36,670,000 new ordinary shares (each a "Share") of HK$0.10 each at issue price of HK$5.50 per Share. Before the acquisition, the Group was the sole distributor of pharmaceutical products for Shenzhen Watsin since April 2007. The acquisition was completed on 22 August 2007 and the results of Shenzhen Watsin was consolidated and sales of rhEGF products was accounted for as in-house bio-pharmaceutical sales from 22 August 2007. rhEGF products distributed by the Group for Shenzhen Watsin before 22 August 2007 amounted to HK$72,188,000 was included in "distribution of third party pharmaceutical products" business segment.

(ii) Disposal of 100% equity interest in New Master Group Limited ("New Master" and its subsidiaries, the "New Master Group"), an investment vehicle holding the packaging products, paper gifts items and promotional products operation of the Group for HK$36 million. The disposal was completed on 30 September 2007 and as a result, the packaging products, paper gifts items and promotional products business was classified as discontinued operations.

Business Review

During the year under review, the healthcare reform in the PRC continues in full momentum. The PRC healthcare industry continues to be modernized and measures combating counterfeiting and substandard drugs were introduced to further regulate the industry. The PRC healthcare industry has already become one of the fastest growing healthcare markets in the world over the last decade. Total health expenditure and per capita health expenditure have been growing at an annual average rate of over 16 percent. Underpinning such phenomenal growth are enhanced living standard, increase in per capita income, growth of the aging population, increasing healthcare consciousness, and the PRC Government's commitment to reform and to increase the healthcare budget for both the urban and rural medical systems as part of its committed effort to establish a harmonious society.

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Given the sustainable economic growth of the PRC and the increase in demand for pharmaceutical and healthcare products over the past years, the Company is optimistic about the future prospects of the pharmaceutical and healthcare industry. The Company believes and considers it more realistic that, by way of (i) re-deploying resources to expand the relatively more promising bio-science related business and (ii) disposal of the continuous loss-making printing and packaging business, the Group would result in a rationalization of its business direction and an increase in its profitability and market competitiveness.

Research Platforms

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E.coli, Pichia Yeast and Mammalian cell expression system

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

E.coli constitutive secretion system

The Group are in the process of developing a revolutionary E.coli expression system, whereby the fermentation process could be self promulgated without using the standard promoters. This process, if successful, is expected to improve tremendously the yield that can normally be produced under the traditional fermentation process. Since most of the biologic 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 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 so many research groups. Three scientists with great contribution in this area were the winners of 2007 Nobel Laureates. The Group has already reconstructed a gene-targeted Bacillus licheniformis producing EGF by this technique. The Group can use gene-targeted Bacillus licheniformis cells as vehicles to introduce genetic material into the human body, and the gene-targeted Bacillus-licheniformis carried various health gene could be established directly from this gene-targeting technique in the near future.

Chemical medicines development system

This system is capable of designing, synthesizing and analyzing various small molecular chemical drugs and can prepare various new pharmaceutical types such as orally disintegrating tablets, soft capsule, ophthalmic gel, lyophilized powder and small dripping solution. 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 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 last financial year and currently are in the final stages of Phase II clinical trials.

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.

rhEPO-Fc

This medication can be used for treatment of anemia associated with renal diseases, cancer related therapies or surgical blood loss. EPO is currently commercialized by several pharmaceutical companies for a worldwide market that exceeds USD$12 billion, and the EPO market is growing at an average annual rate of 21%.

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

cTP-5 (previously known as rTP-5)

rTP-5 has been converted to cTP-5 as a class I chemical drug 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 China 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 product 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 and is expected to be launched by 2009.

rhIL-11 is a Class II prescription new drug 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 non-myelosuppressed cancer patients, platelet counts increased significantly. Upon cessation of the treatment, platelet counts continued to increase for up to 7 days then returned to baseline within 14 days. Besides treating chemotherapy-induced thrombocytopenia, rhIL-11 is also shown to have a variety of non-haematological actions such as stimulation of osteoclast development, inhibition of proliferation of adipocytes, protection of the gastrointestinal mucosa, induction of acute phase response proteins and rheumatoid arthritis.

rhPTH 1-34

Another bio-pharmaceutical product of the Group, namely rhPTH 1-34 (a Class II prescription new drug) is scheduled to complete the Phase II clinical trial by second half of 2008 and Phase III clinical trial will start soon after. 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 do.

According to the preliminary information gathered, a group which is daily treated 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.

Chemical medicines in pipeline

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

Future Outlook and Prospects

The key growth driver for the Group is a diversified product portfolio and a low cost to high premium mix, in which the research and development ("R&D") cost is only 3-5% of the counterparts in USA. The Group would expect to further increase the number of distributed products and will expand the sales and distribution coverage. Sales and profitability are expected to be boosted significantly upon the marketing of drugs currently being developed in the pipeline. The corporate strategy is to adopt vertical integration by integrating production process, supply of raw materials or active pharmaceutical ingredients, R&D and manufacturing so as to enable the Group to become a leading player in the biotechnology industry in the PRC.

The outlook for fiscal year 2008/2009 is favourable. The Company is optimistic that the business opportunities in the pharmaceutical and healthcare industry in the PRC will remain buoyant given the increasing income and health awareness of the mainland population. The Company will maintain its strategic focus on growth enhancement and anticipates the Group's overall business in fiscal year 2008/2009 to further prosper. It is one of the Company's primary objectives to make every effort to enhance the investment value of the shareholders of the Company.

Liquidity and Financial Resources

During the year under review, 200,000,000 ordinary shares of HK$0.10 each were issued resulting from the exercise of share options granted by the Company.

At 31 March 2008, the Group's bank deposits, bank balances and cash amounted to HK$38,353,000 and bank and other borrowings amounted to HK$10,000,000. At 31 March 2008, the Group has assets of approximately HK$1,866,048,000. Current assets of the Group at 31 March 2008 amounted to approximately HK$536,360,000 while current liabilities were HK$208,797,000. The gearing ratio, calculated by dividing the total debts over its total assets, was 0.5%.

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

Pledge of Assets and Contingent Liabilities

At 31 March 2008, the Group did not have any assets pledged or any material contingent liabilities.

Employment and Remuneration Policy

At 31 March 2008, the Group employed approximately 600 staff, including approximately 80 staff in the PRC R&D centres, approximately 300 staff in total in the PRC sales offices, approximately 200 staff in the PRC production sites and approximately 10 staff in Hong Kong. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on performance. Share options may also be granted to staff with reference to the individual's performance.

EXECUTIVE DIRECTORS

Mr. TONG Kit Shing, aged 47, is the chairman ("Chairman") of the Company. He was engaged in metal trading business in the PRC since 1997. Mr. TONG has also extensive investment experience in water treatment business in the PRC using biotechnology.

Mr. LIU Guoyao, aged 44, is experienced in the management and business administration in the PRC.

Mr. CHENG Wai Man, aged 48, has extensive experience in corporate and marketing management in the printing industry and in the trading of bio-chemical products.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIN Jian, aged 72, is working at Jinan University in Guangzhou, the PRC as a professor in Biological Engineering. He had also held various local social offices including Committee Member of the Scientific Technology Consultancy Committee of the Government of the Guangdong Province and the Managing Director of the Biological Engineering Society of the Guangdong Province.

Mr. LIN is also an independent non-executive director of Global Green Tech Group Limited, a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Mr. SO Yin Wai, aged 46, graduated from Hong Kong Polytechnic University in 1986 and has been in the accounting profession for about 20 years. He is a member of the Association of Chartered Certified Accountants of United Kingdom and the Hong Kong Institute of Certified Public Accountants. He had previously worked for Peat, Marwick, Mitchell & Co. and Messrs. Kwan Wong Tan & Fong and been involved in the audit of a number of international and local engagements and listed companies. He is currently the sole practitioner of his own firm known as Alex So & Co (Certified Public Accountants). Apart from his auditing experiences, Mr. SO also specializes in company secretarial work, tax planning and management consultancy matters. Mr. SO is currently the Vice-Chairman of China Business Association. He is the Honorary Auditor of a number of voluntary organizations, including Hong Kong Parkinson's Disease Foundation, Life Currents and Caring Centre Foundation Limited. Mr. SO is also one of the independent non-executive directors of Green Energy Group Limited, a company listed on the Stock Exchange.

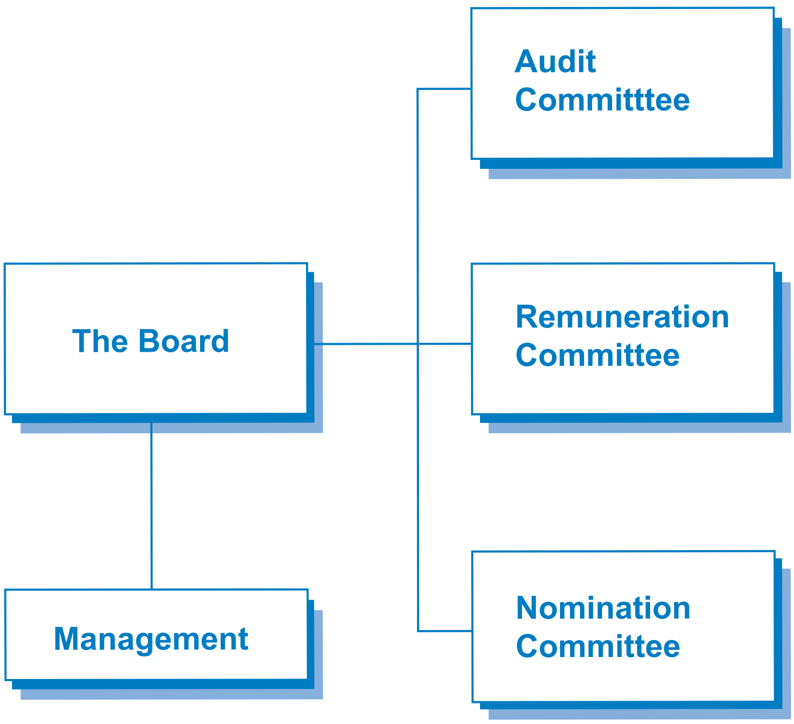
Mr. ZHOU Yaoming, aged 72, has over 40 years of experience in academic training and education in the PRC and has been the Principal of Jinan University since 1999. Mr. ZHOU graduated from Zhongshan University with a Bachelor Degree in History. Mr. ZHOU is one of the independent directors and a member 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. He was (retired on 5 June 2006) also an independent non-executive director of Green Energy Group Limited.

CORPORATE GOVERNANCE REPORT

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

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the financial year 2007/2008, except for certain deviation that is discussed later in this report. To ensure stricter compliance with the CG Code to the extent that it is reasonable, practicable and in the interests of the Company to do so, relevant amendments to the Company's Articles of Association ("Articles"), such as the provision for rotation of all directors, were proposed and approved by shareholders of the Company at the extraordinary general meeting held on 12 December 2005.

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



THE BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry of all Directors of the Company, all Directors confirmed they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2008.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") was established in 2001. The current members of the Audit Committee are Mr. SO Yin Wai (Chairman), Mr. ZHOU Yaoming and Mr. LIN Jian, all being independent non-executive Directors and are appointed to the Audit Committee since 13 October 2005. Mr. SO Yin Wai has the appropriate professional qualifications and accounting and related financial management expertise as required under Rule 3.21 of the Listing Rules for the purpose of such appointment. The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 2001 and subsequently amended in 2005 to conform to the provisions of the CG Code.

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

The main duties of the Audit Committee are as follows:

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

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

Members of the Audit Committee	Meeting(s) Attended/Held
SO Yin Wai	2/2
ZHOU Yaoming	2/2
LIN Jian	2/2

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

REMUNERATION COMMITTEE

The Company established a remuneration committee ("Remuneration Committee") on 4 November 2005 with written terms of reference in compliance with the CG Code. Members of the Remuneration Committee as at 31 March 2008 comprised Mr. TONG Kit Shing, Mr. CHENG Wai Man, Mr. SO Yin Wai, Mr. ZHOU Yaoming (Chairman) and Mr. LIN Jian. A majority of the votes in the Remuneration Committee are exercisable by independent non-executive Directors. No Directors will be involved in any discussion in connection with his own remuneration.

The main duties of the Remuneration Committee are as follows:

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

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

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

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

NOMINATION COMMITTEE

The Company established a nomination committee ("Nomination Committee") since 4 November 2005. Members of the nomination committee as at 31 March 2008 comprised Mr. TONG Kit Shing, Mr. CHENG Wai Man, Mr. SO Yin Wai, Mr. ZHOU Yaoming, and Mr. LIN Jian (Chairman).

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

The main duties of the Nomination Committee are as follows:

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

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

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

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

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

AUDITORS' REMUNERATION

The Group was charged HK$1,700,000 for auditing services by Hopkins CPA Limited in respect of the year ended 31 March 2008.

INTERNAL CONTROLS

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 March 2008, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency in communicating with 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 policy forbids my employee or agent of the Group from accepting any gift from them.

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

SOCIAL RESPONSIBILITY

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

The Directors present their annual report and the audited consolidated financial statements of the Group (comprising the Company and its subsidiaries) for the year ended 31 March 2008.

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 31st March 2008 are set out in the consolidated income statement on page 32.

DIVIDEND

The Directors do not recommend the payment for a dividend for the year ended 31 March 2008. The dividend payment for the year ended 31 March 2007 was reflected as an appropriation of retained profits for the year ended 31 March 2008.

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:

	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(restated)	(restated)
Results					
Profit/(loss) attributable to shareholders	**198,380**	60,322	(42,446)	(887)	(18,880)
Assets and liabilities					
Total assets	**1,866,048**	1,299,447	138,809	183,114	212,704
Total liabilities	**(208,797)**	(229,017)	(105,205)	(107,384)	(135,577)
Shareholders' funds	**1,657,251**	1,070,430	33,604	75,730	77,127

FIVE-YEAR FINANCIAL SUMMARY *(Continued)*

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

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

SHARE CAPITAL AND RESERVES

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

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

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS

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

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

Independent non-executive Directors:
Mr. SO Yin Wai
Mr. ZHOU Yaoming
Mr. LIN Jian

In accordance with article 87(1) of the Company's Articles, Mr. SO Yin Wai and Mr. LIN Jian will retire by rotation at the forthcoming annual general meeting of the Company to be convened and held on 6 November 2008 and being eligible, offers themselves for re-election.

DIRECTORS *(Continued)*

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

At 31 March 2008, the beneficial interests of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("**SFO**"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	The Company/ Name of associated corporation	Capacity	Number of issued securities (L) *(Note 1)*	Appropriate percentage of shareholding
TONG Kit Shing	The Company	Interest of a controlled corporation *(Note 2)*	2,454,407,736 shares of HK$0.10 each *(Note 3)*	30.5% *(Note 3)*
LIU Guoyao	The Company	Interest of a controlled corporation *(Note 2)*	2,454,407,736 shares of HK$0.10 each *(Note 3)*	30.5% *(Note 3)*

DIRECTORS' INTERESTS IN SHARES *(Continued)*

Notes:

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

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

3. The percentage of shareholding is calculated on the basis of 8,040,691,960 Shares in issue as at 31 March 2008 and the number of Shares does not take into account any Shares which may fall to be allotted and issued upon exercise of any outstanding warrants issued by the Company.

SUBSTANTIAL SHAREHOLDERS'S INTERESTS IN SECURITIES

At 31 March 2008, shareholders (other than directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company were as follows:

Name	Capacity	Number of issued securities (L) *(Note 1)*	Appropriate percentage of shareholding
Automatic Result	Beneficial owner	2,454,407,736 shares of HK$0.10 each *(note 2)*	30.5% *(note 2)*

Notes:

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

2. The percentage of shareholding is calculated on the basis of 8,040,691,960 Shares in issue as at 31 March 2008 and the number of Shares does not take into account any Shares which may fall to be alloted and issued upon exercise of any outstanding warrants issued by the Company

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 2008.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

As disclosed in note 34 to the financial statements, there were related party transactions for the year ended 31 March 2008. As the amount of these transactions for the year fall below the de-minimis threshold, under Chapter 14A of the Listing Rules they are exempt from the disclosure and the shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year under review, the top five customers of the Group together accounted for approximately 22% (2007: 23%) of the Group's total sales for the year while the single largest customer accounted for approximately 5% (2007: 5%) of the Group's total sales during the year.

The top five suppliers of the Group for the year under review together accounted for approximately 66% (2007: 73%) of the Group's total purchases for the year and the single largest supplier accounted for approximately 17% (2007: 21%) 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 2008, the Group had no material contingent liabilities.

RETIREMENT BENEFITS SCHEMES

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

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Except as disclosed in note 30 to the financial statements, the Company had no outstanding convertible securities, options, warrants or instruments carrying other similar rights as at 31 March 2008.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders 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 2008, 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 the Company may, as its discretion, invite directors and employees of the Group to take up options to subscribe for shares in the Company representing up to 30 per cent of the issued share capital of the Company from time to time.

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

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

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

SHARE OPTIONS *(Continued)*

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

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

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

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 14 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 three independent non-executive Directors (namely Mr. SO Yin Wai (chairman), Mr. ZHOU Yaoming and Mr. LIN Jian) had reviewed with the auditors and the management of the Company the audited results of the Group for the year ended 31 March 2008, 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.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2008 with the management.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year ended 31 March 2008.

AUDITORS

During the year, the accounts have been audited by Hopkins CPA Limited who 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, 29 September 2008

HOPKINS

HOPKINS CPA LIMITED
3/F, Sun Hung Kai Centre
30 Harbour Road
Hong Kong

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

We have audited the consolidated financial statements of Uni-Bio Science Group Limited (the "Company") set out on pages 32 to 104, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Hopkins CPA Limited
Certified Public Accountants
Hong Kong, 29 September 2008

Albert Man-Sum Lam
Practising Certificate Number P02080

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Continuing operations:			
Turnover	4	869,946	259,519
Cost of sales		(332,264)	(87,315)
Gross profit		537,682	172,204
Other revenue and net income	5	702	7,617
Selling and distribution costs		(67,438)	(21,806)
Administrative expenses		(120,263)	(35,479)
Other expenses		(14,525)	–
Operating profit		336,158	122,536
Finance costs		(1,745)	(4,726)
Profit before income tax	6	334,413	117,810
Income tax	7	(139,134)	(55,665)
Profit for the year from continuing operations		195,279	62,145
Discontinued operations:			
Profit/(Loss) for the year from discontinued operations		3,101	(1,829)
Profit for the year		198,380	60,316
Attributable to:			
Equity holders of the Company	10	198,380	60,322
Minority interests		–	(6)
		198,380	60,316
Dividends	13	–	11,044

	Note	2008 HK cents	2007 HK cents (restated)
Earnings per share	11		
From continuing and discontinued operations			
Basic		2.60	1.06
Diluted		2.55	1.01
From continuing operations			
Basic		2.55	1.09
Diluted		2.51	1.04

The notes on pages 39 to 104 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Goodwill	17	573,552	557,541
Property, plant and equipment	14	353,840	334,549
Investment properties	15	5,277	–
Leasehold land and land use rights	16	28,144	14,697
Intangible assets	18	358,896	114,257
Interests in an associate	19	9,979	–
Deferred tax assets	31	–	1,874
		1,329,688	1,022,918
Current assets			
Leasehold land and land use rights	16	1,036	784
Inventories	21	9,115	15,352
Trade receivables	22	209,033	59,737
Other receivables, deposits and prepayments	23	278,823	142,919
Dividend receivable		–	1,100
Tax recoverable		–	219
Pledged bank deposits		–	13,550
Cash and cash equivalents	24	38,353	42,868
		536,360	276,529
Current liabilities			
Trade payables	26	48,588	30,380
Accrued charges and other payables		86,223	55,311
Tax payables		60,979	20,813
Amounts due to directors	25	3,007	–
Current portion of long-term loans	27(a)	–	12,645
Current portion of obligations under finance leases	27(b)	–	161
Other loan	27(a)	10,000	–
Trust receipts		–	2,962
Bank overdrafts, secured	24	–	8,951
		208,797	131,223
Net current assets		327,563	145,306
Total assets less current liabilities		1,657,251	1,168,224
Non-current liabilities			
Long-term loans	27(a)	–	36,950
Obligations under finance leases	27(b)	–	202
Convertible bonds		–	51,876
Deferred tax liabilities	31	–	8,766
		–	97,794
NET ASSETS		1,657,251	1,070,430

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
CAPITAL AND RESERVES			
Share capital	28	**804,069**	100,400
Reserves	29	**853,182**	968,936
Total equity attributable to equity shareholders of the Company		**1,657,251**	1,069,336
Minority interests		**–**	1,094
TOTAL EQUITY		**1,657,251**	1,070,430

Approved and authorised for issue by the board of directors on 29 September 2008 and are signed on its behalf by:

Tong Kit Shing
Director

Liu Guoyao
Director

The notes on pages 39 to 104 form part of these financial statements.

BALANCE SHEET

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Investments in subsidiaries	20	–	8,020
Current assets			
Amounts due from subsidiaries	20	1,467,024	1,099,724
Other receivables, deposits and prepayments	23	76	27
Cash and cash equivalents	24	20,845	2,838
		1,487,945	1,102,589
Current liabilities			
Other payables		8,305	3,136
Amounts due to a subsidiary	20	141,000	–
Amounts due to directors	25	500	–
		149,805	3,136
Net current assets		1,338,140	1,099,453
Total assets less current liabilities		1,338,140	1,107,473
Non-current liabilities			
Convertible bonds		–	51,876
NET ASSETS		1,338,140	1,055,597
CAPITAL AND RESERVES			
Share capital	28	804,069	100,400
Reserves	29	534,071	955,197
TOTAL EQUITY		1,338,140	1,055,597

Approved and authorised for issue by the board of directors on 29 September 2008 and are signed on its behalf by:

Tong Kit Shing
Director

Liu Guoyao
Director

The notes on pages 39 to 104 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Attributable to equity shareholders of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share-based payments reserve HK$'000	Equity component of convertible bonds reserves HK$'000	Revaluation reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2006	18,000	12,667	(243)	534	–	–	1,330	20	196	32,504	1,100	33,604
Issue of shares-open offer	36,000	144,000	–	–	–	–	–	–	–	180,000	–	180,000
Issue of shares-acquisition of subsidiaries	30,000	392,000	–	–	–	–	–	–	–	422,000	–	422,000
Issue of shares-share placement	10,800	259,200	–	–	–	–	–	–	–	270,000	–	270,000
Recognition of equity component of convertible bonds	–	–	–	–	–	22,320	–	–	–	22,320	–	22,320
Equity settled share-based payments transactions	–	–	–	–	32,540	–	–	–	–	32,540	–	32,540
Expenses incurred on share issue	–	(3,220)	–	–	–	–	–	–	–	(3,220)	–	(3,220)
Issue of shares upon conversion of convertible bonds	5,600	49,346	–	–	–	(10,416)	–	–	–	44,530	–	44,530
Transfer	–	–	–	6,289	–	–	–	–	(6,289)	–	–	–
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	–	8,894	–	8,894	–	8,894
Released upon deconsolidation of a subsidiary	–	–	–	(534)	–	–	–	(20)	–	(554)	–	(554)
Profit attributable to shareholders	–	–	–	–	–	–	–	–	60,322	60,322	(6)	60,316
At 31 March 2007 and 1 April 2007	100,400	853,993	(243)	6,289	32,540	11,904	1,330	8,894	54,229	1,069,336	1,094	1,070,430
Issue of shares – exercise of warrants	1	1	–	–	–	–	–	–	–	2	–	2
Issue of shares – exercise of share option	20,000	33,851	–	–	–	–	–	–	–	53,851	–	53,851
– transfer from share based payments reserve	–	17,486	–	–	(17,486)	–	–	–	–	–	–	–
Issue of shares – conversion of convertible note	6,400	58,290	–	–	–	(11,904)	–	–	–	52,786	–	52,786
Issue of shares – acquisition of a subsidiary	3,667	198,018	–	–	–	–	–	–	–	201,685	–	201,685
Issue of shares – bonus issue	673,601	(673,601)	–	–	–	–	–	–	–	–	–	–
Equity settled share-based payments transactions	–	–	–	–	7,007	–	–	–	–	7,007	–	7,007
Disposal of a subsidiary	–	–	(24)	–	–	–	(1,330)	–	–	(1,354)	(1,094)	(2,448)
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	–	87,907	–	87,907	–	87,907
Find dividend 2006/2007 declared	–	–	–	–	–	–	–	–	(12,349)	(12,349)	–	(12,349)
Profit attributable to shareholders	–	–	–	–	–	–	–	–	198,380	198,380	–	198,380
At 31 March 2008	**804,069**	**488,038**	**(267)**	**6,289**	**22,061**	**–**	**–**	**96,801**	**240,260**	**1,657,251**	**–**	**1,657,251**

The notes on pages 39 to 104 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit before income tax	337,514	120,821
Adjustments for:		
Amortization of intangible assets	29,096	3,815
Amortization of leasehold land and land use rights	899	194
Depreciation	37,780	20,591
Finance costs	5,750	14,861
Interest income	(806)	(5,194)
Tax indemnity from an ex-director	–	(6,676)
Gain on disposal of investment in subsidiary	(1,246)	–
Loss on disposal of property, plant and equipment	4,177	91
Revaluation of property, plant and equipment	(11,747)	–
Impairment of property, plant and equipment	10,348	–
Impairment of intangible assets	3,050	–
Impairment loss of obsolete inventories	–	–
Impairment loss of bad and doubtful debts	–	548
Write off of inventories	–	646
Write off of bad debts	–	287
Write down of obsolete inventories	1,950	3,360
Bad debts recovery	–	(2,206)
Equity settled share-basis payment expenses	7,007	32,540
Gain on deconsolidation of a subsidiary	–	(10,147)
Operating cash flows before movements in working capital	423,772	173,531
Movement in:		
Increase in inventories	(2,224)	(6,463)
Increase in trade and other receivables, deposits and prepayments	(346,485)	(78,267)
Increase/(decrease) in amounts due to director	3,007	(1,903)
Increase in trade payables, accrued charges and other payable	125,748	53,829
Decrease in amount due to holding company	–	(1,547)
Effect of foreign exchange rate changes	38,960	–
Cash generated from operations	242,778	139,180
Interest paid	(4,840)	(3,823)
Income taxes paid	(146,724)	(52,376)
Net cash generated from operating activities	91,214	82,981

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES		
Net cash outflow from acquisition of an associate	(9,979)	–
Net cash outflow from acquisition of a subsidiary	(22,821)	(507,623)
Net cash outflow from deconsolidation of a subsidiary	–	(37)
Net cash inflow from disposal of subsidiaries	39,988	–
Purchase of property, plant and equipment	(85,923)	(103,271)
Proceeds from disposal of property, plant and equipment	26,702	55
Purchase of intangible assets	(85,073)	–
Interest received	806	5,194
Increase in pledged deposits	(249)	(511)
Net cash (used in) investing activities	(136,549)	(606,193)
FINANCING ACTIVITIES		
Capital element of finance lease rentals paid	(79)	(120)
New borrowing raised from other loan	20,000	3,475
Repayment of bank and other loans	(14,340)	(5,218)
New borrowing raised from trust receipts	1,320	2,962
Repayment of trust receipts	–	(2,438)
Dividend paid	(12,349)	–
Proceeds from issue of shares by exercise of warrants	2	–
Proceeds from issue of shares by exercise of share options	53,851	
Proceeds from issue of shares by open offer	–	176,780
Proceeds from issue of shares by share placement	–	270,000
Proceeds from issue of convertible bonds	–	114,000
Net cash generated from financing activities	48,405	559,441
Net increase in cash and cash equivalents	3,070	36,229
Cash and cash equivalents at beginning of year	33,917	(6,472)
Effect of changes in foreign exchange rate	1,366	4,160
Cash and cash equivalents at end of year	38,353	33,917

1. GENERAL

The Company is an exempted company incorporated with limited liability in the Cayman Islands with its securities listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Automatic Result Limited, a company incorporated in the British Virgin Islands with limited liability, is the single largest shareholder of the Company. The Company's registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is at Room 1502, 15/F, AXA Centre, No. 151 Gloucester Road, Wan Chai, Hong Kong.

The principal activity of the Company is investment holdings and its subsidiaries are principally engaged in bioscience related business (with focus on the research, development and commercialisation of biopharmaceuticals through recombinant DNA and other technologies); the manufacture, sale and trading of pharmaceutical products; and the manufacture and trading package products, paper gifts items and promotional products. The packaging products, paper gifts items and promotional products business were disposed of in September 2007.

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

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

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 April 2007.

HKAS 1 Amendment	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

The Group has not early applied the following new, amended or revised standards and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 12	Service concession arrangements[3]
HK(IFRIC) – INT 13	Customer loyalty programmes[4]
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 January 2008.
4 Effective for annual periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual report period beginning on or after 1 July 2009. HKAS 23 (Revised) will affect the accounting treatment of borrowing costs recognized on or after the beginning of the first annual report period beginning on or after 1 January 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The Directors anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

a) STATEMENT OF COMPLIANCE

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

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

b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2008 comprise the Company and its subsidiaries.

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

– building held for own use (see note 3(e));
– certain plant and machinery (see note 3(e)); and
– convertible bonds (see note 3(k)).
– investment property

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 39.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c) SUBSIDIARIES AND MINORITY INTERESTS

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

d) GOODWILL

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

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

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

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

e) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

– other items of plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

f) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

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

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

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

– patents	10 years

Both the period and method of amortisation are reviewed annually.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

g) LEASED ASSETS

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) IMPAIRMENT OF ASSETS

(i) Impairment of receivables

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

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

(ii) Impairment of other assets

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

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

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

– Calculation of recoverable amount

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) IMPAIRMENT OF ASSETS *(Continued)*

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

i) INVENTORIES

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

j) TRADE AND OTHER RECEIVABLES

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

k) CONVERTIBLE BONDS

Convertible bonds that contain an equity component

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

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

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

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

l) INTEREST-BEARING BORROWINGS

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

m) TRADE AND OTHER PAYABLES

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

n) CASH AND CASH EQUIVALENTS

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

o) EMPLOYEES BENEFITS

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

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

(ii) Share-based payments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

o) EMPLOYEES BENEFITS *(Continued)*

(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.

p) INCOME TAX

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

p) INCOME TAX *(Continued)*

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

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

q) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES

(i) *Financial guarantees issued*

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

r) REVENUE RECOGNITION

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

(i) Sales of goods

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

(ii) Interest income

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

(iii) Rental income from operating leases

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

(iv) Service income

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

s) TRANSLATION OF FOREIGN CURRENCIES

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

s) TRANSLATION OF FOREIGN CURRENCIES *(Continued)*

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

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

t) BORROWING COSTS

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

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

u) RELATED PARTIES

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

u) RELATED PARTIES *(Continued)*

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

v) SEGMENT REPORTING

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

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

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

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

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

4. TURNOVER

The Group is principally engaged in bioscience related business (with focus on the research, development and commercialisation of biopharmaceuticals through recombinant DNA and other technologies), and the manufacture and trading of packaging products, paper gifts items and promotional products in Hong Kong and in the People's Republic of China (the "PRC"). The packaging products, paper gifts items and promotional products business were disposed of in September 2007.

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

Details of the main business segments of the Group are set out in note 12 to consolidated accounts.

5. OTHER REVENUE AND NET INCOME

	2008			2007		
	Continuing operations	Discontinued operations	Consolidated	Continuing operations	Discontinued operations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Tax indemnity from an ex-director	–	–	–	–	6,676	6,676
Interest income	557	249	806	4,716	478	5,194
Waiver of loan from ex-shareholders of a subsidiary	–	–	–	2,901	–	2,901
Bad debts recovery	–	–	–	–	2,206	2,206
Rental income	108	–	108	–	360	360
Sundry income	37	211	248	–	1,475	1,475
	702	460	1,162	7,617	11,195	18,812

6. PROFIT BEFORE INCOME TAX

	2008			2007		
	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000
a) Finance costs						
Imputed interest on convertible bonds wholly repayable within five years	910	–	910	4,726	–	4,726
Interest on bank advances and other bank borrowings wholly repayable within five years	55	1,149	1,204	–	2,121	2,121
Finance charges on obligations under finance leases	–	6	6	–	380	380
Other borrowing costs	780	2,850	3,630	–	7,634	7,634
Total borrowing costs	1,745	4,005	5,750	4,726	10,135	14,861
b) Staff costs (including directors' emoluments)						
Contributions to defined contribution retirement plans	105	76	181	74	212	286
Salaries, wages and other benefits	20,710	2,213	22,923	5,541	5,297	10,838
Share-based payments expenses	7,007	–	7,007	32,540	–	32,540
	27,822	2,289	30,111	38,155	5,509	43,664
Less: Staff costs included in research and development costs	(5,072)	–	(5,072)	(10,663)	–	(10,663)
	22,750	2,289	25,039	27,492	5,509	33,001

6. PROFIT BEFORE INCOME TAX *(Continued)*

	2008			2007		
	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000
c) **Other items**						
Auditors' remuneration	4,900	–	4,900	2,113	–	2,113
Cost of inventories	316,569	45,030	361,599	87,315	68,387	155,702
Amortisation of intangible assets	29,096	–	29,096	3,815	–	3,815
Amortisation of land use rights	899	–	899	194	–	194
Depreciation						
– assets held under finance leases	–	–	–	–	114	114
– other assets	33,600	4,180	37,780	11,793	8,684	20,477
	33,600	4,180	37,780	11,793	8,798	20,591
Less: Depreciation included in research and development costs	(23,140)	–	(23,140)	(400)	–	(400)
	10,460	4,180	14,640	11,393	8,798	20,191
Loss on disposal of property, plant and equipment	4,177	–	4,177	–	91	91
Operating lease charges: minimum lease payments – property rentals	1,760	531	2,291	850	1,248	2,098
Research and development costs	55,399	–	55,399	12,408	–	12,408

7. INCOME TAX

a) Hong Kong profits tax is calculated at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year.

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

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

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

Income tax in the consolidated income statement represents:

	2008			2007		
	Continued operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000	Continued operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000
Current tax – Hong Kong Profits Tax						
Provision for the year	–	–	–	–	13	13
Under-provision in respect of prior years	–	–	–	–	3,722	3,722
Current tax – Overseas						
Provision for the year	139,134	–	139,134	55,665	–	55,665
Deferred tax						
Origination and reversal of temporary differences	–	–	–	–	1,105	1,105
	139,134	–	139,134	55,665	4,840	60,505

7. INCOME TAX *(Continued)*

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

	2008 HK$'000	2007 HK$'000
Profit before income tax	337,514	120,821
Notional tax on profit before income tax, calculated at the rates applicable to profit/(loss) in the countries concerned	112,732	48,993
Tax effect of non-deductible expenses and non-taxable income	2,960	3,869
Tax effect of unused tax losses not recognised	23,442	1,050
Under-provision in prior years	–	6,593
Actual tax expense	139,134	60,505

8. DIRECTORS' REMUNERATION

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

For the year ended 31 March 2008

	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	270	–	–	12	282
Liu Guoyao	–	–	–	–	–
Cheng Wai Man	120	–	–	6	126
Independent Non-executive Directors:					
Zhou Yaoming	50	–	–	–	50
Lin Jian	50	–	–	–	50
So Yin Wai	50	–	–	–	50
	540	–	–	18	558

8. DIRECTORS' REMUNERATION *(Continued)*

For the year ended 31 March 2007

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

During the year, no (2007: 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 (2007: None) of the directors has waived any emoluments during the year.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2007: nil) is a director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four (2007: five) individuals are as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other emoluments	2,139	–
Share-based payments	–	9,994
Retirement scheme contributions	–	–
	2,139	9,994

The emoluments of the four (2007: five) individuals with the highest emoluments are within the following bands:

	2008 Number of individuals	2007 Number of individuals
HK$Nil – HK$1,000,000	4	–
HK$1,000,001 – HK$2,000,000	–	3
HK$2,000,001 – HK$3,000,000	–	2

10. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The profit attributable to equity shareholders of the Company includes a loss of approximately HK$20,440,000 (2007: HK$8,136,000 loss) which has been dealt with in the financial statements of the Company.

11. EARNINGS PER SHARE

(i) From continuing and discontinued operations

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

	2008 HK$'000	2007 HK$'000
Profit for the year attributable to equity holders of the Company for the purpose of basic and diluted earnings per share	**198,380**	60,322

	2008	2007 *(Note)*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**7,637,117,665**	5,704,109,593
Effect of dilutive potential ordinary shares – Share options	**129,930,586**	243,278,392
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**7,767,048,251**	5,947,387,985

Note: The weighted average number of ordinary shares for the year ended 31 March 2007 had been adjusted for the effect of bonus issue in August 2007.

11. EARNINGS PER SHARE *(Continued)*

(ii) From continuing operations

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

	2008 HK$'000	2007 HK$'000
Profit for the purpose for calculating basic and diluted earnings per share from continuing operations	195,279	62,145

	2008	2007 *(Note)*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	7,637,117,665	5,704,109,593
Effect of dilutive potential ordinary shares – Share options	129,930,586	243,278,392
Weighted average number of ordinary shares for the purpose of diluted earnings per share	7,767,048,251	5,947,387,985

Note: The weighted average number of ordinary shares for the year ended 31 March 2007 had been adjusted for the effect of bonus issue in August 2007.

12. SEGMENT REPORTING

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

Business segments

The Group comprises the following main business segments:

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

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

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

Packaging products, paper gifts items and promotional products business – Manufacture and sale of packaging products, paper gifts items and promotional products.

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

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

12. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

Primary reporting format-business segments
For the year ended 31 March 2008

	Continuing Operations				Discontinued Operations	
	Distribution of third party pharmaceutical products HK$'000	In-house chemical pharmaceutical products HK$'000	In-house biological pharmaceutical products HK$'000	Total HK$'000	Packaging products, paper gifts items and promotional products business HK$'000	Consolidated HK$'000
Revenue from external customers	463,847	248,822	157,277	869,946	62,570	932,516
Segment results	233,758	174,074	129,850	537,682	17,540	555,222
Unallocated operating income and expenses				(201,524)	(10,434)	(211,958)
Profit from operations				336,158	7,106	343,264
Finance costs				(1,745)	(4,005)	(5,750)
Profit before income tax				334,413	3,101	337,514
Income tax				(139,134)	–	(139,134)
Profit for the year				195,279	3,101	198,380
Segment assets	355,876	835,766	649,910	1,841,552	–	1,841,552
Unallocated corporate assets				24,496	–	24,496
Total assets				1,866,048	–	1,866,048
Segment liabilities	79,822	61,641	32,202	173,665	–	173,665
Unallocated corporate liabilities				35,132	–	35,132
Total liabilities				208,797	–	208,797
Capital expenditure	60,073	124,753	159,447	344,273	–	344,273
Amortisation	–	17,179	12,816	29,995	–	29,995
Depreciation	10,460	16,788	6,352	33,600	4,180	37,780
Write down of obsolete inventories	–	–	–	–	1,950	1,950
Impairment loss on property, plant and equipment	–	–	10,348	10,348	–	10,348
Loss on disposal of property, plant and equipment	–	–	4,177	4,177	–	4,177
Impairment loss on intangible assets	–	3,050	–	3,050	–	3,050

12. SEGMENT REPORTING *(Continued)*

For the year ended 31 March 2007

	Continuing Operations				Discontinued Operations	
	Distribution of third party pharmaceutical products HK$'000	In-house chemical pharmaceutical products HK$'000	In-house biological pharmaceutical products HK$'000	Total HK$'000	Packaging products, paper gifts items and promotional products business HK$'000	Consolidated HK$'000
Revenue from external customers	212,526	46,993	–	259,519	81,375	340,894
Segment results	133,030	39,174	–	172,204	12,988	185,192
Unallocated operating income and expenses				(49,668)	(9,989)	(59,657)
Profit from operations				122,536	2,999	125,535
Finance costs				(4,726)	(10,135)	(14,861)
Gain on deconsolidation of a subsidiary				–	10,147	10,147
Profit before income tax				117,810	3,011	120,821
Income tax				(55,665)	(4,840)	(60,505)
Profit/(loss) for the year				62,145	(1,829)	60,316
Segment assets	193,643	475,269	466,966	1,135,878	91,480	1,227,358
Unallocated corporate assets				41,011	31,078	72,089
Total assets				1,176,889	122,558	1,299,447
Segment liabilities	34,001	1,585	–	35,586	113,482	149,068
Unallocated corporate liabilities				78,893	1,056	79,949
Total liabilities				114,479	114,538	229,017
Capital expenditure	227,152	75,323	102,113	404,588	793	405,381
Amortisation	–	4,009	–	4,009	–	4,009
Depreciation	7,576	3,817	400	11,793	8,798	20,591
Write down of obsolete inventories	–	–	–	–	(3,360)	(3,360)
Impairment loss on bad and doubtful debts	–	–	–		(548)	(548)
Write off of inventories	–	–	–	–	(646)	(646)
Write off of bad debts	–	–	–	–	(287)	(287)

12. SEGMENT REPORTING *(Continued)*

Geographical segments

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

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

For the year ended 31 March 2008

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

For the year ended 31 March 2007

	Turnover			Total assets			Capital expenditure		
	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated HK$'000
Hong Kong	–	78,343	78,343	751,042	122,558	873,600	84	793	877
The PRC	259,519	1,279	260,798	425,847	–	425,847	404,504	–	404,504
Other countries	–	1,753	1,753	–	–	–	–	–	–
	259,519	81,375	340,894	1,176,889	122,558	1,299,447	404,588	793	405,381

13. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Proposed final dividend	–	11,044

The Directors do not recommend the payment for a dividend for the year ended 31 March 2008. The dividend payment for the year ended 31 March 2007 was reflected as an appropriation of retained profits for the year ended 31 March 2008.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold building HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
Cost or valuation							
At 1 April 2006	–	80,307	8,694	18,743	1,495	–	109,239
Additions	–	78,301	4,766	17,246	2,685	448	103,446
Acquisition of subsidiaries	20,341	144,524	1,821	17,783	536	–	185,005
Deconsolidation of a subsidiary	–	(1,148)	(364)	–	(499)	–	(2,011)
Disposals	–	(174)	–	–	–	–	(174)
Exchange differences	206	3,740	21	179	5	–	4,151
As at 31 March 2007 and 1 April 2007	20,547	305,550	14,938	53,951	4,222	448	399,656
Additions	432	79,892	1,869	3,730	–	–	85,923
Acquisition of a subsidiary	25,886	1,456	18,013	5,280	2,101	–	52,736
Disposal of a subsidiary	–	(78,501)	(8,211)	(18,579)	(1,120)	–	(106,411)
Disposals	–	(41,990)	(382)	(110)	(764)	–	(43,246)
Exchange differences	3,961	19,951	1,951	3,807	412	44	30,126
As 31 March 2008	50,826	286,358	28,178	48,079	4,851	492	418,784
Accumulated depreciation							
At 1 April 2006	–	26,168	6,345	11,843	1,001	–	45,357
Charge for the year	229	15,272	1,520	3,123	447	–	20,591
Deconsolidation of a subsidiary	–	(324)	(197)	–	(412)	–	(933)
Disposals	–	(28)	–	–	–	–	(28)
Exchange differences	3	102	9	4	2	–	120
At 31 March 2007 and 1 April 2007	232	41,190	7,677	14,970	1,038	–	65,107
Charge for the year	1,731	30,037	1,367	3,972	673	–	37,780
Acquisition of a subsidiary	7,207	1,326	10,436	2,674	1,380	–	23,023
Disposal of a subsidiary	–	(32,976)	(6,555)	(15,755)	(732)	–	(56,018)
Disposals	–	(11,336)	(344)	–	(687)	–	(12,367)
Elimination on revaluation	–	(11,747)	–	–	–	–	(11,747)
Impairment	2,092	8,224	32	–	–	–	10,348
Exchange differences	775	6,617	927	371	128	–	8,818
At 31 March 2008	12,037	31,335	13,540	6,232	1,800	–	64,944
Net book value							
At 31 March 2008	38,789	255,023	14,638	41,847	3,051	492	353,840
At 31 March 2007	20,315	264,360	7,261	38,981	3,184	448	334,549

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

The analysis of the cost or valuation of the above assets at 31 March 2008 and 2007 are as follows:

	Leasehold building HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
At 31 March 2008							
At cost	50,826	208,629	28,178	48,079	4,851	492	341,055
At valuation *(note)*	–	77,729	–	–	–	–	77,729
	50,826	286,358	28,178	48,079	4,851	492	418,784
At 31 March 2007							
At cost	20,547	264,115	14,938	53,951	4,222	448	358,221
At valuation *(note (a))*	–	41,435	–	–	–	–	41,435
	20,547	305,550	14,938	53,951	4,222	448	399,656

Notes:

a) From the year ended 31 March 2007, the revaluation of plant and machinery was performed by independent valuers annually.

b) The carrying amount of revalued plant and machinery held by the Group would have been approximately HK$302,910,000 (2007: HK$17,361,000) had they been stated at cost less accumulated depreciation and impairment losses.

c) At 31 March 2008, the net book value of plant and machinery pledged for the Group's facilities was nil (2007: HK$47,850,000).

d) The net book value of motor vehicles of approximately HK$3,051,000 (2007: HK$3,184,000) included an amount of approximately HK$nil (2007: HK$444,000) in respect of assets held under finance leases.

15. INVESTMENT PROPERTIES

At fair value

	2008 HK$'000	2007 HK$'000
Balance at beginning of year	–	–
Acquisitions through acquisition of subsidiaries	4,907	–
Exchange differences	370	–
Balance at end of year	5,277	–

16. LEASEHOLD LAND AND LAND USE RIGHTS

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

	2008 HK$'000	2007 HK$'000
Balance at beginning of year	15,481	–
Acquired through acquisition of subsidiaries	12,371	15,675
Amortisation	(899)	(194)
Exchange differences	2,227	–
Balance at end of year	29,180	15,481
Analysed for reporting purposes as:		
Current assets	1,036	784
Non-current assets	28,144	14,697
	29,180	15,481
The Group's leasehold land and land use rights payments comprise:		
– Long-term lease in the PRC	–	–
– Medium-term lease in the PRC	16,132	15,481
– Short-term lease in the PRC	13,048	–

17. GOODWILL

	HK$'000
Cost	
At 1 April 2006	6,633
Acquisition of subsidiaries	557,541
At 31 March 2007 and 1 April 2007	564,174
Acquisition of a subsidary	16,011
Disposal of subsidiaries	(6,633)
At 31 March 2008	573,522
Accumulated impairment losses	
At 1 April 2006	6,633
Impairment loss for the year	–
At 31 March 2007 and 1 April 2007	6,633
Disposal of subsidiaries	(6,633)
At 31 March 2008	–
Carrying amount	
At 31 March 2008	573,552
At 31 March 2007	557,541

17. GOODWILL *(Continued)*

Impairment tests for cash-generating units containing goodwill

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

	2008 HK$'000	2007 HK$'000
Pharmaceutical products – the PRC	**573,552**	557,541

Pharmaceutical products – the PRC

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

Key assumptions used for value-in-use calculations:

	2008 %	2007 %
Gross margin	**50-90**	67-90
Growth rate	**10-30**	85
Discount rate	**35-52**	35-52

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

18. INTANGIBLE ASSETS

	The Group HK$'000
Cost	
At 1 April 2006	–
Acquisition of a subidiary	116,930
Exchange differences	1,181
At 31 March 2007 and 1 April 2007	118,111
Addition	85,073
Acquisition of a subsidiary	168,041
Exchange differences	24,254
At 31 March 2008	395,479
Accumulated amortisation	
At 1 April 2006	–
Charge for the year	3,815
Exchange differences	39
At 31 March 2007 and 1 April 2007	3,854
Charge for the year	29,096
Impairment	3,050
Exchange differences	583
At 31 March 2008	36,583
Carrying amount	
At 31 March 2008	358,896
At 31 March 2007	114,257

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

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

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

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

19. INTERESTS IN AN ASSOCIATE

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

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

	2008 HK$'000	2007 HK$'000
Total assets	22,209	–
Total liabilities	33	–
Net assets	22,176	–
Group's share of net assets of an associate	9,979	–

	2008 HK$'000	2007 HK$'000
Total revenue	33	–
Total profit for the year	–	–
Group's share of profits of an associate	–	–

20. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	–	71,870
Less: Impairment loss	–	(63,850)
	–	8,020
Amounts due from subsidiaries	1,467,024	1,104,937
Less: Impairment loss	–	(5,213)
	1,467,024	1,099,724
Amounts due to a subsidiary	141,000	–

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

b) The details of the subsidiaries at 31 March 2008 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%

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued and paid up share capital	Interest held
Zethanel Properties Limited	British Virgin Islands	Investment holding/Hong Kong	10,000 Ordinary shares of US$1 each	100%
東莞太力生物工程有限公司 (Formerly known as "東莞太力環保科技有限公司")	PRC	Research and development, manufacture and sales of medical and biological products/PRC	Contributed capital of HK$49,755,173	100%
東莞市博康健醫藥¨科技有限公司	PRC	Trading of medical and biological products/PRC	Contributed capital of RMB1,000,000	100%
北京博康健基因¨科技有限公司	PRC	Manufacture and sales of medical and biological products/PRC	Contributed capital of RMB64,800,000	100%
深圳市華生元基因工程發展有限公司	PRC	Manufacture and sales of biological products/PRC	Contributed capital of RMB80,000,000	100%

* Shares held directly by the Company.

21. INVENTORIES

	The Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	1,199	8,711
Work in progress	1,246	5,808
Finished goods	6,670	4,340
	9,115	18,859
Less: Provision for impairment of inventories	–	(3,507)
	9,115	15,352

The Group has not written off any inventories during the year (2007: HK$646,000).

22. TRADE RECEIVABLES

	The Group	
	2008	2007
	HK$'000	HK$'000
Trade receivables	209,033	59,737

At 31 March 2008, trade receivables of the Group amounting to approximately HK$9,392,000 (2007: approximately HK$9,322,000) were determined to be impaired and full provision had been made. These receivables were due from companies with financial difficulties.

22. TRADE RECEIVABLES *(Continued)*

Customers are generally granted with credit terms of 30 to 90 days (2007: 30 to 90 days). Longer payment terms are granted to those customers which have good payment history and long-term business relationship with the Group. All of the trade receivables are expected to be recovered within one year. The aging analysis of the trade receivables is analysed as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within 30 days	73,289	47,720
31 – 60 days	45,983	1,629
61 – 90 days	39,278	2,935
Over 90 days	59,875	16,775
	218,425	69,059
Less: Provision for impairment of receivables	(9,392)	(9,322)
	209,033	59,737

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

	As at 31 March	
	2008	2007
	'000	'000
Renminbi ("RMB")	188,526	40,897

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Deposits for purchases of technical know-how *(note a)*	155,302	42,151	–	–
Deposits and prepayments for purchases of plant and machinery *(note b)*	46,349	10,508	–	–
Amounts due from a deconsolidated subsidiary	–	33,394	–	–
Tax indemnity from an ex-Director	–	6,676	–	–
Other receivables	77,172	50,190	76	27
	278,823	142,919	76	27

a) At 31 March 2008, the Group paid a total sum of approximately HK$155,302,000 (2007: HK$42,151,000) for purchases of technical know-how of several pharmaceutical products and the exclusive right for commercialisation of the pharmaceutical products. The payment for each pharmaceutical products will be capitalised as intangible assets upon obtaining the patent granted by the SFDA.

Capital commitments of the Group in respect of the remaining unpaid balances of approximately HK$9,072,000 (2007: HK$9,222,000) for these purchases are disclosed in note 33 to the financial statements.

b) At 31 March 2008, the Group paid a total sum of approximately HK$46,349,000 (2007: HK$10,508,000) as deposits and prepayment for the purchases of certain plant and machinery for the pharmaceutical operations. The payment will be capitalised as plant and machinery upon delivery of the plant and machinery to the Group.

Capital commitments of the Group in respect of the remaining unpaid balances of approximately HK$20,050,000 (2007: HK$2,742,000) for these purchases are disclosed in note 33 to the financial statements.

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**38,353**	42,868	**20,845**	2,838
Cash and cash equivalents in the balance sheet	**38,353**	42,868	**20,845**	2,838
Bank overdrafts, secured	**–**	(8,951)	**–**	–
Cash and cash equivalents in the consolidated cash flow statement	**38,353**	33,917		

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

	The Group		The Company	
	2008	2007	**2008**	2007
	'000	'000	**'000**	'000
RMB	**17,295**	38,473	**18**	–

25. AMOUNTS DUE TO DIRECTORS

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

26. TRADE PAYABLES

	The Group	
	2008	2007
	HK$'000	HK$'000
Trade payables	48,588	30,380

At 31 March 2008, all the trade payables are expected to be settled within one year and the aging analysis of the trade payables is analysed as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within 30 days	7,539	16,842
31 – 60 days	25,426	3,254
61 – 90 days	8,524	1,813
Over 90 days	7,099	8,471
	48,588	30,380

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

	As at 31 March	
	2008	2007
	'000	'000
RMB	31,383	16,997

27. OTHER LOAN

	The Group	
	2008	2007
	HK$'000	HK$'000
a) Bank and other loans		
Bank loans repayable:		
Within 1 year or on demand	–	6,645
After 1 year but within 2 years	–	3,950
	–	10,595
Other loans repayable:		
Within 1 year or on demand	10,000	6,000
After 1 year but within 2 years	–	33,000
	10,000	39,000
	10,000	49,595
Less: Amount due within 1 year shown under current liabilities	(10,000)	(12,645)
	–	36,950
Secured	–	46,595
Unsecured	10,000	3,000
	10,000	49,595

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

27. OTHER LOAN *(Continued)*

b) Obligations under finance leases

At 31 March 2008, the Group's obligations under finance leases repayable were as follows:

	The Group			
	2008		2007	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	–	–	161	178
After 1 year but within 2 years	–	–	170	178
After 2 years but within 5 years	–	–	32	32
	–	–	202	210
	–	–	363	388
Less: Total future interest expenses		–		(25)
Present value of lease obligations		–		363

28. SHARE CAPITAL

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

28. SHARE CAPITAL *(Continued)*

Notes:

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

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

(c) On 14 June 2006, the Company allotted and issued 220,000,000 ordinary shares of HK$0.10 each at the issued price of HK$0.90 per share to partly settle the consideration for acquisition of 100% equity interest in Figures Up Trading Limited.

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

(e) On 21 December 2006, the Company allotted and issued 80,000,000 ordinary shares of HK$0.10 each at the issue price of HK$2.80 per share to partly settle the consideration for the acquisition of 100% equity in Nan Hoo Properties Limited.

(f) On 20 December 2006, the Company allotted and issued 26,500,000 ordinary shares of HK$0.10 each at a conversion price of HK$0.95 when Automatic Result Limited exercised its conversion right attaching to the 3-year HK$114 million zero coupon convertible bonds due 2009 ("Convertible Bonds") issued by the Company on 14 June 2006.

On 5 January 2007, the Company allotted and issued 29,500,000 ordinary shares of HK$0.10 each at a conversion price of HK$0.95 when Automatic Result Limited exercised its conversion right attaching to the Convertible Bonds.

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

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

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

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

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

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

(m) All new shares issued during the year ended 31 March 2007 and for the year ended 31 March 2008 rank pari passu with the existing shares in all material respects.

29. RESERVES

The Group

	Attributable to equity shareholders of the Company										
	Share premium HK$'000 (note a)	Capital reserves HK$'000	Statutory reserve HK$'000 (note b)	Share-based payments reserve HK$'000 (note 30)	Equity component of convertible bonds reserve HK$'000	Revaluation reserve HK$'000 (note c)	Exchange reserve HK$'000 (note d)	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 31 March 2006 and 1 April 2006	12,667	(243)	534	–	–	1,330	20	196	14,504	1,100	15,604
Issue of shares – open offer	144,000	–	–	–	–	–	–	–	144,000	–	144,000
Issue of shares – acquisition of subsidiaries	392,000	–	–	–	–	–	–	–	392,000	–	392,000
Issue of shares – share placement	259,200	–	–	–	–	–	–	–	259,200	–	259,200
Recognition of equity component of convertible bonds	–	–	–	–	22,320	–	–	–	22,320	–	22,320
Equity settled share-based payments transactions	–	–	–	32,540	–	–	–	–	32,540	–	32,540
Expenses incurred on share issue	(3,220)	–	–	–	–	–	–	–	(3,220)	–	(3,220)
Issue of shares upon conversion of convertible bonds	49,346	–	–	–	(10,416)	–	–	–	38,930	–	38,930
Transfer	–	–	6,289	–	–	–	–	(6,289)	–	–	–
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	8,894	–	8,894	–	8,894
Released upon deconsolidation of a subsidiary	–	–	(534)	–	–	–	(20)	–	(554)	–	(554)
Profit attributable to shareholders	–	–	–	–	–	–	–	60,322	60,322	(6)	60,316
At 31 March 2007 and 1 April 2007	853,993	(243)	6,289	32,540	11,904	1,330	8,894	54,229	968,936	1,094	970,030
Issue of shares – exercise of warrants	1	–	–	–	–	–	–	–	1	–	1
Issue of shares – exercise of share option	33,851	–	–	–	–	–	–	–	33,851	–	33,851
– transfer from share based payments reserve	17,486	–	–	(17,486)	–	–	–	–	–	–	–
Issue of shares – conversion of convertible note	58,290	–	–	–	(11,904)	–	–	–	46,386	–	46,386
Issue of shares – acquisition of a subsidiary	198,018	–	–	–	–	–	–	–	198,018	–	198,018
Issue of shares – bonus issue	(673,601)	–	–	–	–	–	–	–	(673,601)	–	(673,601)
Equity settled share-based payments transactions	–	–	–	7,007	–	–	–	–	7,007	–	7,007
Disposal of a subsidiary	–	(24)	–	–	–	(1,330)	–	–	(1,354)	(1,094)	(2,448)
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	87,907	–	87,907	–	87,907
Find dividend 2006/2007 declared	–	–	–	–	–	–	–	(12,349)	(12,349)	–	(12,349)
Profit attributable to shareholders	–	–	–	–	–	–	–	198,380	198,380	–	198,380
At 31 March 2008	**488,038**	**(267)**	**6,289**	**22,061**	**–**	**–**	**96,801**	**240,260**	**853,182**	**–**	**853,182**

29. RESERVES *(Continued)*

The Company

	Share premium HK$'000 *(note a)*	Share-based payments reserve HK$'000 *(note 30)*	Equity component of convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 March 2006 and 1 April 2006	84,270	–	–	(6,707)	77,563
Issue of shares – open offer	144,000	–	–	–	144,000
Issue of shares – acquisitions of subsidiaries	392,000	–	–	–	392,000
Issue of shares – share placement	259,200	–	–	–	259,200
Recognition of equity component of convertible bonds	–	–	22,320	–	22,320
Equity settled share-based payments transcations	–	32,540	–	–	32,540
Expenses incurred on share issue	(3,220)	–	–	–	(3,220)
Issue of shares upon conversion of convertible bonds	49,346	–	(10,416)	–	38,930
Loss attributable to shareholders	–	–	–	(8,136)	(8,136)
At 31 March 2007 and 1 April 2007	925,596	32,540	11,904	(14,843)	955,197
Issue of shares – exercise of warrants	1	1	–	–	2
Issue of shares – exercise of share option	33,851	–	–	–	33,851
– transfer from share based payments reserve	17,486	(17,486)	–	–	–
Issue of shares – conversion of convertible bond	58,290	–	(11,904)	–	46,386
Issue of shares – acquisition of a subsidiary	198,018	–	–	–	198,018
Issue of shares – bonus issue	(673,601)	–	–	–	(673,601)
Equity settled share-based payments transactions	–	7,007	–	–	7,007
Final dividend 2006/2007 declared	–	–	–	(12,349)	(12,349)
Loss attributable to shareholders	–	–	–	(20,440)	(20,440)
At 31 March 2008	**559,641**	**22,062**	**–**	**(47,632)**	**534,071**

29. RESERVES *(Continued)*

Notes:

a) Share premium

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

b) Statutory reserve

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

c) Revaluation reserve

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

d) Exchange reserve

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

e) Distributable reserves

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

At 31 March 2008, the aggregate amount of the Company's reserve available for distribution to shareholders was approximately HK$512,009,000 (2007: HK$910,753,000) 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$559,641,000 (2007: HK$925,596,000) less accumulated losses of approximately HK$47,632,000 (2007: HK$14,843,000), which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

30. SHARE OPTIONS

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

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

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

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

30. SHARE OPTIONS *(Continued)*

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

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

Total consideration received during the year from eligible participants for taking up the options granted during the year is less than HK$1,000 (2007: less than HJK$1,000). The consideration is required to be settled within 21 days from the issue of the share option offer.

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

	Number of share options									
	Outstanding at 1 April 2006, 31 March 2007 and 1 April 2007 '000	Granted during the year '000	Adjusted during the year '000	Exercised during the year '000	Lapsed during the year '000	Outstanding at 31 March 2008 '000	Exercise price HK$	Date of grant	Exercise period	Remaining contractual life
Employees	18,000	–	–	(18,000)	–	–	0.738	6 April 2006	6 April 2006 to 21 October 2011	3.56 years
Employees	54,000	–	324,000	(182,000)	–	196,000	0.2229	19 June 2006	19 June 2006 to 21 October 2011	3.56 years
Employees	–	13,658	–	–	–	13,658	0.512	28 January 2008	28 January 2008 to 21 September 2016	8.48 years
Other	–	36,342	–	–	–	36,342	0.512	28 January 2008	28 January 2008 to 21 September 2016	8.48 years
	72,000	50,000	324,000	(200,000)	–	246,000				

30. SHARE OPTIONS *(Continued)*

No option has been granted under the 2006 Scheme during the year ended 31 March 2008.

Fair value of share options granted during the year under review

The fair value of services received in return for share options granted during the year ended 31 March 2008 under the 2006 Scheme are measured by reference to the fair value of share options granted under the 2006 Scheme. The estimate of the fair value of the services received is measured based on Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used for the share options granted on 28 January 2008 (the "28 January 2008 Grant").

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

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

31. DEFERRED TAXATION

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

Deferred tax liabilities

	The Group					
	Accelerated tax depreciation		Tax losses		Total	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
At beginning of year	8,766	9,050	–	(3,124)	8,766	5,926
Charged/(credited) to consolidated income statement	–	(284)	–	3,124	–	2,840
Disposal of subsidiaries	(8,766)	–	–	–	(8,766)	–
At end of year	–	8,766	–	–	–	8,766

Deferred tax assets

	The Group					
	Accelerated tax depreciation		Tax losses		Total	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
At beginning of year	(10)	–	(1,864)	(139)	(1,874)	(139)
Charged to consolidated income statement	–	(10)	–	(1,725)	–	(1,735)
Disposal of subsidiaries	10	–	1,864	–	1,874	–
At end of year	–	(10)	–	(1,864)	–	(1,874)

32. PLEDGE OF ASSETS

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

	The Group	
	2008	2007
	HK$'000	HK$'000
Plant and machinery	–	47,850
Trade receivables	–	25,184
Pledged bank deposits	–	13,550
	–	86,584

33. COMMITMENTS

a) Capital commitments

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

	The Group	
	2008	2007
	HK$'000	HK$'000
Contracted for:		
– Purchases of technical know-how	9,072	9,222
– Purchases of plant and machinery	20,050	2,742
– Renovation	562	–
	29,684	11,964

33. COMMITMENTS *(Continued)*

b) Operating lease commitments

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

	The Group	
	2008	2007
	HK$'000	HK$'000
Within 1 year	**763**	1,308
After 1 year but within 5 years	**2,057**	220
	2,820	1,528

34. RELATED PARTY TRANSACTIONS

a) Key management personnel remuneration

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

	2008	2007
	HK$'000	HK$'000
Short-term employee benefits	**2,547**	1,136
Post-employment benefits	**–**	43
	2,547	1,179

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

34. RELATED PARTY TRANSACTIONS *(Continued)*

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

	The Group Discontinued operations	
	2008 HK$'000	2007 HK$'000
Sales to		
– New Spring Label & Packaging Limited *(note i)*	1,473	3,682
Rental and service income		
– New Spring Label & Packaging Limited *(note ii)*	110	219
Management fee income		
– New Spring Label & Packaging Limited *(note iii)*	110	219
Accounting income		
– New Spring Label & Packaging Limited *(note iv)*	20	40

i) During the year ended 31 March 2008, the Group sold products to a related company – New Spring Label & Packaging Limited, with a common director – Mr. Tong Kit Shing who had resigned on 9 November 2007 in New Spring Label & Packaging Limited. The sales were made according to the published prices, terms and conditions offered to the major customers of the Group.

ii) During the year ended 31 March 2008, the Group received rental and service income from the related company for the office premises used.

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

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

35. ACQUISITION OF SUBSIDIARIES

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

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

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

36. DISCONTINUED OPERATIONS

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

The Group is from time to time seeking a good return on its investments. The Group is in the course of formulating a new investment strategy and this disposal is part of this new investment strategy.

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

	2008 HK$'000	2007 HK$'000
Cash flow from discontinued operations:		
Net cash generated from operating activities	10,958	3,003
Net cash used in investing activities	(26)	30
Net cash used in financing activities	(7,104)	(5,162)
Net cash flow	3,828	(2,129)

36. DISCONTINUED OPERATIONS *(Continued)*

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

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

37. MAJOR NON-CASH TRANSCATIONS

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

38. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

a) Estimated impairment of intangible assets and goodwill

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

b) Trade receivables

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

c) Useful lives of property, plant and equipment

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

38. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

d) Inventories

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

e) Amortisation of intangible assets

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

39. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

a) Foreign exchange risk

The Group operates mainly in both 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 form 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.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

b) *Credit risk*

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

c) *Liquidity risk*

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

d) *Fair values*

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2008 and 2007.

e) *Estimation of Fair values*

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

Interest-bearing loans and borrowings and finance lease liabilities

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

f) *Sensitivity analysis*

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

At 31 March 2008, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before taxation by approximately HK$108,000 (2007: HK$224,000) so far as the effect on interest-bearing financial instruments is concerned.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

g) *Capital risk management*

The Group manages its capital 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 capital structure of the Group consists of debts, which include bank and other borrowings and equity attributable to equity holders of the Company, comprising issued share capital, reserves, and retained profits as disclosed in consolidated statement of changes of equity.

The management of the Group reviews the capital structure periodically. As a part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new shares issues and share buy backs as well as the issue of new debt or the redemption of existing debt.

There are no changes on the Group's approach to capital management for both years.

40. COMPARATIVE FIGURES

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

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 29 September 2008.