
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Uni-Bio Science Group Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is addressed to the shareholders of the Company in connection with an extraordinary general meeting of the Company to be held on 20 April 2009. This circular is not and does not constitute an offer of, nor is it intended to invite offers for, shares in or other securities of the Company.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

**(1) PROPOSED OPEN OFFER OF
NOT LESS THAN 1,449,829,215 OFFER SHARES
AND NOT MORE THAN 1,468,670,882 OFFER SHARES
OF HK\$0.10 EACH AT HK\$0.10 PER OFFER SHARE
ON THE BASIS OF ONE OFFER SHARE FOR EVERY SIX EXISTING SHARES
HELD ON THE RECORD DATE
WITH BONUS ISSUE ON THE BASIS OF TWO BONUS SHARES OF HK\$0.10 EACH FOR
EVERY ONE OFFER SHARE TAKEN UP UNDER THE OPEN OFFER
(2) APPLICATION FOR WHITEWASH WAIVER
(3) NOTICE OF EGM**

Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders



博資有限公司
AMS Capital Limited

Underwriter to the Open Offer

Automatic Result Limited

A letter from the board of directors of the Company is set out on pages 6 to 25 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders to the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver is set out on pages 26 to 27 of this circular.

A letter from AMS, the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders, containing its advice in connection with the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver as detailed in this circular is set out on pages 28 to 42 of this circular.

It should be noted that the last day of dealings in Shares on a cum-entitlement basis is 8 April 2009.

To qualify for the Open Offer with Bonus Issue, a Qualifying Shareholder's name must appear on the register of members of the Company on the Record Date, which is currently expected to be 20 April 2009. In order to be registered as a member of the Company on the Record Date, any transfers of Shares (with the relevant share certificates) must be lodged to the Registrar, Tricor Abacus Limited, for registration by 4:30 p.m. on 14 April 2009.

A notice convening the EGM to be held at Room 1502, 15th Floor, AXA Centre, No. 151 Gloucester Road, Wanchai, Hong Kong at 10:00 a.m. on 20 April 2009 is set out on pages N1 to N4 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjournment of it if you so wish.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination:

- (a) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
- (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (iii) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the US) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (c) the circular in relation to the Open Offer or the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter be material to the Group as a whole upon completion of the Open Offer and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to accept the Offer Shares provisionally allotted to it.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Open Offer with Bonus Issue will not proceed.

Pursuant to the Underwriting Agreement, the Underwriter is entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (b) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered the warranties contained in the Underwriting Agreement untrue or incorrect in any material aspect comes to the knowledge of the Underwriter.

The Shares will be dealt in on an ex-entitlement basis from 9 April 2009 and the Open Offer with Bonus Issue is conditional. If the conditions of the Open Offer with Bonus Issue are not fulfilled and/or waived on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), or the Underwriting Agreement is terminated by the Underwriter, the Open Offer with Bonus Issue will not proceed and the Open Offer with Bonus Issue will lapse.

Any persons contemplating buying or selling Shares from the date of the Announcement up to the date on which all the conditions of the Open Offer with Bonus Issue are fulfilled and/or waived bear the risk that the Open Offer with Bonus Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealing in the Shares are recommended to consult their own professional advisers.

CONTENTS

	<i>Page</i>
Expected timetable for the Open Offer with Bonus Issue	ii
Definitions	1
Letter from the Board	6
Letter from the Independent Board Committee	26
Letter from the Independent Financial Adviser	28
Procedures for demanding a poll by Shareholders	43
Appendix I – Financial information of the Group	I-1
Appendix II – Unaudited pro forma financial information of the Group	II-1
Appendix III – Statutory and general information	III-1
Appendix IV – Information on the Company’s management	IV-1
Appendix V – Summary of the constitution of the Company and the Cayman Islands Company Law	V-1
Notice of EGM	N-1

EXPECTED TIMETABLE FOR THE OPEN OFFER WITH BONUS ISSUE

The expected timetable for the Open Offer with Bonus Issue set out below is indicative only and it has been prepared on the assumption that the Whitewash Waiver will be approved by the Independent Shareholders to the Open Offer with Bonus Issue at the EGM. The expected timetable is subject to change, and any changes will be announced as appropriate. All times and dates in this circular refer to Hong Kong local times and dates.

Event	2009
Last day of dealing in Shares on a cum-entitlement basis	Wednesday, 8 April
First day of dealings in Shares on an ex-entitlement basis	Thursday, 9 April
Latest time for lodging transfer of Shares in order to qualify for the Open Offer with Bonus Issue	4:30 p.m. on Tuesday, 14 April
Register of members of the Company closes (both dates inclusive)	Wednesday, 15 April to Monday, 20 April
Latest time for lodging forms of proxy for the purpose of the EGM (not less than 48 hours before the EGM)	10:00 a.m. on Saturday, 18 April
Date of EGM.	10:00 a.m. on Monday, 20 April
Record Date to determine entitlements under the Open Offer with Bonus Issue	Monday, 20 April
Announcement of results of EGM.	Monday, 20 April
Register of members of the Company re-opens	Tuesday, 21 April
Despatch of the Open Offer Prospectus Documents	Tuesday, 21 April
Latest time for acceptance of and payment for Offer Shares	4:00 p.m. on Friday, 8 May
Expected time for the Open Offer with Bonus Issue to become unconditional	4:00 p.m. on Tuesday, 12 May
Announcement of results of the Open Offer with Bonus Issue	Wednesday, 13 May
Despatch of certificates for the Offer Shares and the Bonus Shares	Friday, 15 May
Despatch of refund cheques in respect of wholly or partly successful excess applications	Friday, 15 May
Dealings in Offer Shares and Bonus Shares commence.	Tuesday, 19 May

EXPECTED TIMETABLE FOR THE OPEN OFFER WITH BONUS ISSUE

Notes:

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES

The latest time for acceptance of and payment for the Offer Shares will not take place if there is:

- tropical cyclone warning signal number 8 or above; or
- “black” rainstorm warning

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of and payment for the Offer Shares. Instead, the latest time for acceptance of and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day, which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m..

If the latest time for acceptance of and payment for the Offer Shares does not take place on the expected latest date for acceptance of the offer the Offer Shares, the dates subsequent to the said latest expected date mentioned in this section may be affected. An announcement will be made by the Company in such event as soon as practicable.

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“acting in concert”	has the meaning ascribed to it by the Takeovers Code and the expression “Concert Party(ies)” shall be construed accordingly
“AGM”	the annual general meeting of the Company held on 6 November 2008
“AMS” or “Independent Financial Adviser”	AMS Capital Limited, a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver
“Announcement”	the announcement of the Company dated 9 March 2009 in relation to the Open Offer with Bonus Issue and application for Whitewash Waiver
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Automatic Result”	Automatic Result Limited, a company incorporated in the British Virgin Islands with limited liability on 18 May 2000, which is solely and beneficially owned by Mr Tong and of which Mr Liu is the sole director
“Board”	the board of Directors
“Bonus Issue”	the issue of the Bonus Shares pursuant to the terms and conditions of the Underwriting Agreement
“Bonus Share(s)”	the bonus Share(s) to be issued (for no additional payment) to the holders of Offer Shares on the basis of two Bonus Shares for every one Offer Share taken up under the Open Offer subject to the terms and conditions set out in the Underwriting Agreement
“Business Day”	a day, other than Saturday or a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks generally are open for business in Hong Kong

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Uni-Bio Science Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Effective Price”	HK\$0.0333 per Offer Share, being the effective price for each Offer Share taking into account of two nil paid Bonus Shares being issued with one fully paid Offer Share
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve (i) the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement and (ii) the Whitewash Waiver (or any adjournment thereof)
“Excluded Shareholders”	the Overseas Shareholders whom the Board, based on legal opinions provided by legal advisers, considers it necessary or expedient not to offer the Offer Shares to such Shareholders on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates
“Existing Scheme”	the share option scheme currently in force and adopted by the Company on 22 September 2006
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Independent Board Committees”	a committee of the Board (comprising Mr Zhou Yaoming, Mr Lin Jian and Mr So Yin Wai, all being independent non-executive Directors) constituted to advise the Independent Shareholders on the Underwriting Agreement and the Whitewash Waiver

DEFINITIONS

“Independent Shareholders”	Shareholders other than (1) the Underwriter and its associates and parties acting in concert with any of them; and (2) those who are involved or interested in the Underwriting Agreement and/or the Whitewash Waiver
“Last Trading Date”	9 March 2009, being the last trading day of the Shares prior to the release of the Announcement
“Latest Acceptance Time”	being 4:00 p.m. on Friday, 8 May 2009 or such later time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of the Offer Shares
“Latest Practicable Date”	27 March 2009, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular
“Latest Time for Termination”	being 4:00 p.m. on the second Business Day after the Latest Acceptance Time
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr Liu”	Mr Liu Guoyao, an executive Director and the sole director of Automatic Result
“Mr Tong”	Mr Tong Kit Shing, the chairman of the Company and an executive Director, and the sole beneficial owner of Automatic Result
“Offer Shares”	not less than 1,449,829,215 new Shares and not more than 1,468,670,882 new Shares to be issued by the Company pursuant to the Open Offer
“Open Offer”	the proposed issue of Offer Shares by way of open offer on the basis of one Offer Share for every six Shares to the Qualifying Shareholders on the terms to be set out in the Open Offer Prospectus Documents
“Open Offer Prospectus Documents”	the Prospectus, the provisional allotment letter and the form of application for excess Offer Shares
“Outstanding Options”	the options granted by the Company to subscribe for an aggregate of 113,050,000 Shares pursuant to the applicable rules of the Terminated Scheme or (as the case may be) the Existing Scheme, which were outstanding as at the Latest Practicable Date

DEFINITIONS

“Overseas Shareholder(s)”	the Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer with Bonus Issue
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Monday, 20 April 2009, or such other date as may be agreed between the Company and the Underwriter to determine entitlements to the Open Offer with Bonus Issue
“Register of Members”	the register of members of the Company maintained by the Registrar in Hong Kong
“Registrar”	the Hong Kong branch share registrar and transfer office of the Company, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary shares which have a par value of HK\$0.10 each in the capital of the Company
“Share Option Scheme”	the Terminated Scheme and/or (as the case may be) the Existing Scheme
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Monies”	the subscription monies payable by the Underwriter to the Company in respect of the Offer Shares underwritten by the Underwriter
“Subscription Price”	the subscription price of HK\$0.10 per Offer Share
“subsidiary” or “holding company”	has the meaning defined in section 2 of the Companies Ordinance

DEFINITIONS

“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Terminated Scheme”	the share option scheme of the Company adopted on 22 October 2001 and terminated on 22 September 2006
“Underwriter”	Automatic Result, a substantial shareholder of the Company as at the Latest Practicable Date
“Underwriting Agreement”	the underwriting agreement dated 9 March 2009 entered into between the Company and the Underwriter in relation to the Open Offer with Bonus Issue
“Underwritten Shares”	Not less than 1,040,761,259 Offer Shares and not more than 1,059,602,926 Offer Shares to be underwritten by the Underwriter pursuant to the Underwriting Agreement
“US”	the United States of America
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Underwriter and parties acting in concert with it (including Mr Tong and Mr Liu) to make a mandatory offer under Rule 26 of the Takeovers Code which would otherwise arise as a result of the Underwriter subscribing for and taking up of the Offer Shares under the terms of the Underwriting Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr Tong Kit Shing (*Chairman*)

Mr Liu Guoyao

Mr Cheng Wai Man

Registered Office:

Cricket Square, Hutchins Drive

P.O. Box 2681 GT

Grand Cayman KY1-1111

Cayman Islands

Independent non-executive Directors:

Mr Zhou Yao Ming

Mr Lin Jian

Mr So Yin Wai

*Head office and principal place of
business in Hong Kong:*

Room 1502, 15th Floor

AXA Centre

No. 151 Gloucester Road

Wanchai, Hong Kong

30 March 2009

**(1) PROPOSED OPEN OFFER OF
NOT LESS THAN 1,449,829,215 OFFER SHARES
AND NOT MORE THAN 1,468,670,882 OFFER SHARES
OF HK\$0.10 EACH AT HK\$0.10 PER OFFER SHARE
ON THE BASIS OF ONE OFFER SHARE FOR EVERY SIX EXISTING SHARES
HELD ON THE RECORD DATE
WITH BONUS ISSUE ON THE BASIS OF TWO BONUS SHARES OF HK\$0.10 EACH
FOR EVERY ONE OFFER SHARE TAKEN UP UNDER THE OPEN OFFER
(2) APPLICATION FOR WHITEWASH WAIVER
(3) NOTICE OF EGM**

*To the Shareholders and, for information only,
the holders of the Outstanding Options*

Dear Sir or Madam,

INTRODUCTION

On 9 March 2009, the Board announced that the Company proposed to raise approximately HK\$144.9 million before expenses by issuing not less than 1,449,829,215 Offer Shares and not more than approximately HK\$146.8 million before expenses by issuing not more than 1,468,670,882 Offer Shares at the Subscription Price of HK\$0.10 per Offer Share on the basis of one Offer Share for every six existing Shares in issue on the Record Date with Bonus Issue on the basis on two Bonus Shares for every one Offer Share taken up under the Open Offer.

The Open Offer will be fully underwritten by the Underwriter, on the terms and subject to the conditions set out in the Underwriting Agreement.

* For identification purposes only

LETTER FROM THE BOARD

A special mandate will be sought from the Shareholders to authorise the Directors to issue such number of Shares following the approval of the Open Offer with Bonus Issue at the EGM to satisfy the allotment and issue of the Offer Shares and the Bonus Shares under the Open Offer with Bonus Issue.

As at the date of the Announcement and the Latest Practicable Date, the Underwriter (namely, Automatic Result), the substantial shareholder (as defined in the Listing Rules) of the Company, and parties acting in concert with the Underwriter (including Mr Tong and Mr Liu), are beneficially interested in a total of 2,454,407,736 Shares, representing approximately 28.21% of the existing issued share capital of the Company.

The Open Offer with Bonus Issue is conditional upon the fulfillment and/or waiver of the conditions set out under the paragraph headed “Conditions of the Open Offer with Bonus Issue” under the section headed “Proposed Open Offer with Bonus Issue” below. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms (see the paragraph headed “Termination of the Underwriting Agreement” under the section headed “Proposed Open Offer with Bonus Issue” below). If the Underwriter terminates the Underwriting Agreement, or the conditions of the Open Offer with Bonus Issue are not fulfilled or waived, the Open Offer with Bonus Issue will not proceed.

The Independent Board Committee of the Open Offer comprising all the three independent non-executive Directors (namely Mr Zhou Yao Ming, Mr Lin Jian and Mr So Yin Wai) has been established to advise the Independent Shareholders to the Open Offer with Bonus Issue as to whether the terms of the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

AMS has been appointed by the Company and approved by the Independent Board Committee to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

The purpose of this circular is to give you further information on, among other things, details of the proposed Open Offer with Bonus Issue, the Underwriting Agreement and the Whitewash Waiver.

This circular also contains the recommendation of the Independent Board Committee, the advice of the Independent Financial Adviser in respect of the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver and the notice to convene the EGM.

LETTER FROM THE BOARD

PROPOSED OPEN OFFER WITH BONUS ISSUE

Issue statistics

Basis of the Open Offer	:	One Offer Share for every six existing Shares held on the Record Date and payable in full on acceptance, together with two Bonus Shares for every one Offer Share taken up
Subscription Price	:	HK\$0.10 per Offer Share
Number of Shares in issue as at the date of the Announcement and the Latest Practicable Date	:	8,698,975,292 Shares
Outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of the Announcement and the Latest Practicable Date	:	Outstanding Options attaching subscription right to subscribe for 113,050,000 Shares
Number of Offer Shares	:	Not less than 1,449,829,215 Offer Shares and not more than 1,468,670,882 Offer Shares The aggregate nominal value of the total Offer Shares will be not less than HK\$144,982,921.50 and not more than HK\$146,867,088.20 The net Subscription Price for each Offer Share is approximately HK\$0.098
Number of Bonus Shares	:	Not less than 2,899,658,430 Bonus Shares and not more than 2,937,341,764 Bonus Shares to be issued to the first registered holders of the Open Offer on the basis of two Bonus Shares for every one Offer Share taken up under the Open Offer
Number of Offer Shares that the Underwriter has undertaken, and has undertaken to procure parties acting in concert with it to take up	:	The Underwriter has irrevocably undertaken, and/or has undertaken to procure parties acting in concert with it (including Mr Tong and Mr Liu) to undertake that: (a) the 2,454,407,736 Shares owned by the Underwriter and/or parties acting in concert with it will remain registered in its/their name(s) from the date of the Announcement to the Record Date;

LETTER FROM THE BOARD

(b) the Underwriter and/or parties acting in concert with it will:

(i) subscribe and pay for the 409,067,956 Offer Shares to be allotted to it under the Open Offer in respect of their holdings of 2,454,407,736 Shares on an assured basis; and

(ii) underwrite the balance of the Underwritten Shares.

Number of Underwritten Shares : Not less than 1,040,761,259 Offer Shares (Note 1) and not more than 1,059,602,926 Offer Shares (Note 2)

Notes:

1. This figures excludes the 409,067,956 Offer Shares to be provisionally allotted to the Underwriter together with parties acting in concert with it in respect of their beneficial shareholding in the Company, for which the Underwriter has undertaken, and has undertaken to procure parties acting in concert with it, to subscribe in full (assuming no Outstanding Options are exercised on or before the Record Date).
2. This figures excludes the 409,067,956 Offer Shares to be provisionally allotted to the Underwriter together with parties acting in concert with it in respect of their beneficial shareholding in the Company, for which the Underwriter has undertaken, and has undertaken to procure parties acting in concert with it, to subscribe in full (assuming all Outstanding Options are exercised on or before the Record Date).

Number of Shares in issue upon completion of the Open Offer with the Bonus Issue : Not less than 13,048,462,937 Shares and not more than 13,218,037,938 Shares

Assuming that no Outstanding Options are exercised on or before the completion of the Open Offer with Bonus Issue, the Offer Shares proposed to be provisionally allotted (1,449,829,215 Offer Shares) pursuant to the terms of the Open Offer represent approximately (i) 16.67% of the issued share capital of the Company of 8,698,975,292 Shares and 14.29% of the enlarged issued share capital of the Company of 10,148,804,507 Shares immediately following the allotment and issue of the Open Offer.

The number of Offer Shares which may be issued pursuant to the Open Offer will be increased in proportion to any additional Shares which may be allotted and issued pursuant to the exercise of the Outstanding Options on or before the Record Date. As at the Latest Practicable Date, there were Outstanding Options attaching subscription right to subscribe for 113,050,000 Shares. If the subscription rights attaching to all the Outstanding Options are fully exercised and Shares are allotted and issued pursuant to such exercise on or before the Record Date, the number of issued Shares is expected to be increased and the number of Offer Shares that may be issued pursuant to the Open Offer is expected to be increased to 1,468,670,882 Offer Shares.

LETTER FROM THE BOARD

As at the Latest Practicable Date, other than the Outstanding Options, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

Bonus Issue

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued to the first registered holder of the Offer Shares on the basis of two Bonus Shares for every one Offer Share taken up under the Open Offer.

On the basis of not less than 1,449,829,215 Offer Shares and not more than 1,468,670,882 Offer Shares to be issued under the Open offer, there will be not less than 2,899,658,430 Bonus Shares and not more than 2,937,341,764 Bonus Shares to be issued.

Subscription Price

The Subscription Price is HK\$0.10 per Offer Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Open Offer.

Taking into account the Bonus Shares being issued with the Offer Shares, the Effective Price is HK\$0.0333 for each Offer Share.

The Subscription Price and the Effective Price respectively represent:

- (i) a premium of 78.6% and a discount of approximately 40.5% respectively to the closing price of HK\$0.056 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 85.2% and a discount of approximately 38.3% respectively to the average of the closing prices of HK\$0.054 per Share quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 83.8% and a discount of approximately 38.8% to the average of the closing prices of HK\$0.0544 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 106.7% over and a discount of approximately 31.2% to the theoretical ex-entitlement price of HK\$0.0484 respectively based on the closing price of HK\$0.056 per Share as quoted on the Stock Exchange on the Last Trading Date; and
- (v) a premium of 108.3% and a discount of approximately 30.6% respectively to the closing price of HK\$0.048 per Share as quoted on the Stock Exchange on the Latest Practicable Day.

LETTER FROM THE BOARD

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the prevailing market conditions and the recent financial conditions of the Group. The unaudited net asset value of the Group as recorded in its unaudited consolidated accounts as at 30 September 2008 was approximately HK\$0.17 per Share. The Directors (excluding the independent non-executive Directors) consider that the terms of the Open Offer with the Bonus Issue, including the determination of the Subscription Price is fair and reasonable and could enhance the attractiveness of the Open Offer, so as to encourage the Shareholders to participate in the Open Offer without exerting excessive financial burden on the part of the Shareholders. The Open Offer also offers each Qualifying Shareholder to maintain their respective pro rata shareholdings in the Company as well as an opportunity to apply for additional Shares (if they so wish) by way of application for excess Offer Shares and enables them to participate in the future growth of the Group.

Based on the above, the Directors consider that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Open Offer.

Status of the Offer Shares and the Bonus Shares

The Offer Shares (when allotted, issued and fully paid) and the Bonus Shares (when allotted, issued and credited as fully paid), will rank equally in all respects with the Shares in issue on the date of allotment and issue of such Offer Shares and Bonus Shares. Holders of the Offer Shares and the Bonus Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Offer Shares and the Bonus Shares.

Fractions of the Offer Shares

All fractions of Offer Shares will be aggregated for application of excess Offer Shares by Qualifying Shareholders.

Excluded Shareholders

If there are Overseas Shareholders at the close of business on the Record Date, the Overseas Shareholders may not be eligible to take part in the Open Offer as explained below.

The Directors will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the Open Offer to the Overseas Shareholders. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholders.

A resolution regarding the exclusion of the offer of the Offer Shares to the Excluded Shareholders will be proposed for approval by the Independent Shareholders at the EGM.

As at the Latest Practicable Date and based on information provided by the Registrar to the company, none of the Shareholders as recorded on the Register has address(es) which is/are outside Hong Kong.

LETTER FROM THE BOARD

The Company will only send the Prospectus to the Excluded Shareholders for their information. The Excluded Shareholders will be entitled to attend and vote at the EGM.

The Open Offer Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

Qualifying Shareholders

The Company will send the Open Offer Prospectus Documents to the Qualifying Shareholders.

To qualify for the Open Offer, the Shareholders must be registered as members of the Company on the Record Date. In relation to holders of the Outstanding Options (i) they must exercise their respective subscription rights attaching to the Outstanding Options in accordance with the relevant procedures specified in the applicable rules of the Share Option Scheme(s) on or before the Record Date; (ii) they must be registered as the holders of the Shares allotted pursuant to the exercise of the subscription rights of the Outstanding Options on or before the Record Date; and (iii) they must not be an Excluded Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant Share certificate(s)) with the Registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 14 April 2009. The last day of dealings in Shares on a cum-entitlement basis is expected to be Wednesday, 8 April 2009. The Shares will be dealt with on an ex-entitlement basis from Thursday, 9 April 2009.

Application for excess Offer Shares

Qualifying Shareholders may apply for entitlements of the Excluded Shareholders (see the paragraph headed "Excluded Shareholders" below), any fractions of Offer Shares and any Offer Shares provisionally allotted but not accepted or validly accepted by the Qualifying Shareholders.

Applications may be made by completing the form of application for excess Offer Shares and lodging the same with a separate remittance for the excess Offer Shares. The Directors will allocate the excess Offer Shares at their discretion on a fair and equitable basis on the following principles:

- (1) preference will be given to applications for less than a board lot of Offer Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings;
- (2) subject to availability of excess Offer Shares after allocation under principle (1) above, the excess Offer Shares will be allotted to Qualifying Shareholders based on a sliding scale with reference to the number of the excess Offer Shares applied by them (that is, Qualifying Shareholders applying for smaller number of Offer Shares are allocated with a higher percentage of successful application but will receive less number of Offer Shares; whereas Qualifying Shareholders applying for large number of Offer Shares are allocated with a smaller percentage of successful application but will receive higher number of Offer Shares).

LETTER FROM THE BOARD

The Directors consider that the allocation mechanism for the excess Offer Shares on the above principles is fair and equitable as it is likely for a larger number of potential and qualifying applicants for excess Offer Shares to have the opportunity to be successfully allocated with the excess Offer Shares.

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company under the allocation of excess Offer Shares. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Offer Shares will not be extended to ultimate beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For Shareholders whose Shares are held by their nominees and would like to have their names registered on the Register of Members, they must lodge all necessary document with the Registrar, Tricor Abacus Limited, for completion of the relevant registration by 4:30 p.m. on Tuesday, 14 April 2009.

Excess application from Qualifying Shareholders (including registered nominee company) will be accepted by the Company even if their assured entitlement of the Offer Shares are not subscribed for in full.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares and the Bonus Shares.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought.

Subject to the grant of listing of, and permission to deal in, the Offer Shares and the Bonus Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Offer Shares and the Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares and the Bonus Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange or any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Offer Shares and the Bonus Shares in their fully-paid form to be admitted into CCASS.

The first day of dealings in the Offer Shares and the Bonus Shares is expected to commence on Tuesday, 19 May 2009.

LETTER FROM THE BOARD

Closure of register of members

The register of members of the Company will be closed from Wednesday, 15 April 2009 to Monday, 20 April 2009, both dates inclusive, to determine the eligibility of the Open Offer. No transfer of Shares will be registered during the period.

Certificates of the Offer shares and the Bonus Shares and refund cheques

Subject to the fulfilment of the conditions of the Open Offer (details of which are set out in the paragraph headed “Conditions of the Open Offer with Bonus Issue” below), certificates for all Offer Shares and the respective Bonus Shares are expected to be posted on or before Friday, 15 May 2009 to the Qualified Shareholders who have applied, and paid for the Offer Shares by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Shares are also expected to be posted on or before Friday, 15 May 2009 by ordinary post at their own risk.

Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the acquisition, holding or disposal of, or dealing in the Offer Shares and/or the Bonus Shares. It is emphasized that none of the Company, the Directors or any other parties involved in the Open Offer with Bonus Issue accepts responsibility for any tax effects or liabilities of holders of the Offer Shares and/or the Bonus Shares resulting from the purchase, holding or disposal of, or dealing in the Offer Shares and/or the Bonus Shares.

UNDERWRITING AGREEMENT

Date : 9 March 2009

Parties : (1) the Company
(2) the Underwriter (namely, Automatic Result).

The Underwriter, being the substantial shareholder of the Company, was interested in approximately 28.21% of the existing issued share capital of the Company as at the Latest Practicable Date.

The Underwriter is an investment holding company incorporated in the BVI on 18 May 2000 with limited liability. It is solely and beneficially owned by Mr Tong, the chairman of the Company. Mr Liu, an executive Director, is the sole director of the Underwriter.

LETTER FROM THE BOARD

Number of Offer Shares that the Underwriter has undertaken, and has undertaken to procure parties acting in concert with it to take up : The Underwriter has irrevocably undertaken, and/or has undertaken to procure parties acting in concert with it (including Mr Tong and Mr Liu) to undertake that:

- (a) the 2,454,407,736 Shares owned by the Underwriter and/or parties acting in concert with it will remain registered in its/their name(s) from the date of the Announcement to the Record Date;
- (b) the Underwriter and/or parties acting in concert with it will:
 - (i) subscribe and pay for the 409,067,956 Offer Shares to be allotted to it under the Open Offer in respect of their or their respective nominees' holdings of 2,454,407,736 Shares on an assured basis; and
 - (ii) underwrite the balance of the Underwritten Shares.

Number of Underwritten Shares : Not less than 1,040,761,259 Offer Shares (Note 1) and not more than 1,059,602,926 Offer Shares (Note 2)

Notes:

1. This figures excludes 409,067,956 Offer Shares to be provisionally allotted to the Underwriter and parties acting in concert with it in respect of their beneficial shareholding in the Company, for which the Underwriter has undertaken, and has undertaken to procure parties acting in concert with it, to subscribe in full (assuming no Outstanding Options are exercised on or before the Record Date).
2. This figure excludes 409,067,956 Offer Shares to be provisionally allotted to the Underwriter and parties acting in concert with it in respect of their beneficial shareholding in the Company for which the Underwriter has undertaken, and has undertaken to procure parties acting in concert with it, to subscribe in full (assuming all Outstanding Options are exercised on or before the Record Date).

LETTER FROM THE BOARD

Commission : 0.5% of the total Subscription Price in respect of the maximum number of Offer Shares underwritten by the Underwriter. The commission to be received by the Underwriter will be not less than approximately HK\$0.52 million and not more than approximately HK\$0.53 million. The commission payable to the Underwriter was determined after arm's length negotiations between the Company and the Underwriter. The Directors (excluding the independent non-executive Directors) consider that such amount is on normal commercial terms and is comparable with market rate.

Under the terms of the Underwriting Agreement, the Company and the Underwriter have agreed that, if the conditions of the Open Offer are fulfilled and/or waived (as the case may be) on or before the Latest Time for Acceptance (or such later time and/or date as the Company and the Underwriter may determine in writing) and the Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, the Company shall, on or before 6:00 p.m. on the first Business Day after the Latest Acceptance Time, notify or procure its share registrar in Hong Kong on behalf of the Company to notify the Underwriter in writing of the number of Underwritten Shares not taken up by Qualifying Shareholders on or before the Latest Acceptance Time ("**Untaken Shares**") and the Underwriter shall subscribe for the Untaken Shares not later than 4:00 p.m. on the third Business Day after the date of the Latest Acceptance Time and pay the relevant Subscription Monies not later than 4:00 p.m. on the fourth Business Day after the date of the Latest Acceptance Time in full.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination:

- (a) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

LETTER FROM THE BOARD

- (iii) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the US) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (c) the circular in relation to the Open Offer or the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole upon completion of the Open Offer and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to accept the Offer Shares provisionally allotted to it.

As far as the Company is aware, there is no information falling within paragraph (c) above.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Open Offer will not proceed.

Pursuant to the Underwriting Agreement, the Underwriter is entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (b) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered the warranties contained in the Underwriting Agreement untrue or incorrect in any material aspect comes to the knowledge of the Underwriter.

Conditions of the Open Offer with Bonus Issue

The Open Offer with Bonus Issue is conditional upon the following conditions being fulfilled:

- (1) the Company despatching the circular to the Shareholders containing, among other matters, details of the Open Offer with Bonus Issue and the Whitewash Waiver together with the proxy form and the notice of the EGM;

LETTER FROM THE BOARD

- (2) the passing of the relevant resolutions by the Shareholders or (as the case may be) the Independent Shareholders at the EGM by way of poll to approve the Open Offer with Bonus Issue and the Whitewash Waiver by no later than the date on which the Prospectus is despatched;
- (3) the Executive granting the Whitewash Waiver to the Underwriter and parties acting in concert with it and the satisfaction of all condition(s) (if any) attached to the Whitewash Waiver granted;
- (4) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in all the Offer Shares and the Bonus Shares by no later than the date on which the Prospectus is despatched;
- (5) the filing and registration of all documents relating to the Open Offer, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
- (6) the posting of the Open Offer Prospectus Documents to Qualifying Shareholders; and
- (7) the compliance with and performance of all the undertakings and obligations of the Company and the Underwriter under the terms of the Underwriting Agreement.

None of the Company and/or the Underwriter may waive conditions (1), (2), (3), (4), (5) and (6) set out above. The Underwriter may waive condition (7) set out above in whole or in part by written notice to the Company. If any of the conditions of the Open Offer are not fulfilled or (in respect of condition (7) only) waived on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Open Offer will not proceed.

REASONS FOR THE OPEN OFFER WITH BONUS ISSUE

The Company is an investment holding company. The Group is principally engaged in bio-science related business, with focus on the research, development and commercialization of biopharmaceuticals through recombinant DNA and other technologies.

The Directors are of the view that the Open Offer with Bonus Issue will enable the Company to raise funds and provide the Company with the financial flexibility necessary for the Group's future development and investment purposes as and when suitable opportunities arise. In addition, the Open Offer would allow the Company to strengthen its capital base and provide an opportunity to all Qualifying Shareholders to participate in the growth of the Company in proportion to their shareholdings. Accordingly, the Directors consider that the proposed Open Offer is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

USE OF THE PROCEEDS FROM THE OPEN OFFER

The Company intends to use the net proceeds from the Open Offer, being approximately HK\$141.9 million (if no Outstanding Options are exercised on or before the Record Date) or approximately HK\$143.8 million (if all Outstanding Options are exercised on or before the Record Date) for the research and development of its biological pharmaceutical products as to approximately:

- (a) HK\$100 million for Recombinant Exendin-4 (rExendin-4) (a potential new drug essentially for the treatment of Type 2 diabetes); and
- (b) the balance of the net proceeds for Recombinant Human Parathyroid Hormone (1-34) (rhPTH1-34) (a potential new drug for the treatment of osteoporosis).

The Underwriter has no intention to make any changes to the continuation of the Group's existing principal businesses, the deployment of the Company's fixed assets and the continued employment of the employees of the Group or introduce any changes to the business of the Group. By increasing its interests in the Company, the Underwriter, as the single largest shareholder in the Company, could demonstrate further unreserved commitment towards the Group. This would help enhance and foster both shareholders' and business relationship and confidence in the Group, which are in the interests of the Company and the Shareholders.

The subscription and underwriting of the Open Offer with Bonus Issue by the Underwriter is to signify the substantial Shareholder's strong support of, and commitment to, the development of the Group.

CHANGES IN SHAREHOLDING STRUCTURE

As at the Latest Practicable Date:

- (1) the Company had an issued share capital of 8,698,975,292 Shares;
- (2) there were Outstanding Options attaching subscription rights to subscribe for an aggregate of 113,050,000 Existing Shares granted under the applicable rules of the Share Option Schemes, of which (i) subscription rights to subscribe for 63,050,000 Existing Shares were granted under the Terminated Scheme and (ii) subscription rights to subscribe for 50,000,000 Existing Shares were granted under the Existing Scheme.

Accordingly, (i) the minimum number of Offer Shares to be issued under the Open Offer will be 1,449,829,215 Offer Shares and the minimum number of Bonus Shares to be issued under the Bonus Issue will be 2,899,658,430 Bonus Shares (assuming no Outstanding Options are exercised on or before the Record Date) and (ii) the maximum number of Offer Shares to be issued under the Open Offer will be 1,468,670,882 Offer Shares and the maximum number of Bonus Shares to be issued under the Bonus Issue will be 2,937,341,764 Bonus Shares (assuming all Outstanding Options are exercised on or before the Record Date).

LETTER FROM THE BOARD

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Open Offer with Bonus Issue assuming that there is no change in the shareholding structure of the Company from the date of the Announcement to immediately before completion of the Open Offer with Bonus issue save pursuant to the exercise of Outstanding Options and the transactions contemplated under the Underwriting Agreement:

Name of Shareholder/ Beneficial Owner	As at the date of the Announcement and the Latest Practicable Date		Immediately after completion of the Open Offer				Immediately after completion of the Open Offer and the Bonus Issue			
			Assuming no Outstanding Options are exercised on or before completion of the Open Offer and assuming no Shareholders (other than the Underwriter) have taken up any of their entitlements under the Open Offer		Assuming all Outstanding Options to subscribe up to 113,050,000 Shares) are exercised on or before completion of the Open Offer and assuming no Shareholders (other than the Underwriter) have taken up any of their entitlements under the Open Offer		Assuming no Outstanding Options are exercised on or before completion of the Open Offer and the Bonus Issue and assuming no Shareholders other than the (Underwriter) have taken up any of their entitlements under the Open Offer		Assuming all Outstanding Options to subscribe up to 113,050,000 Shares are exercised on or before completion of the Open Offer and the Bonus Issue and assuming no Shareholders (other than the Underwriter) have taken up any of their entitlements under the Open Offer	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Automatic Result together with its Concert Parties	2,454,407,736	28.21	2,454,407,736	24.18	2,454,407,736	23.87	2,454,407,736	18.81	2,454,407,736	18.57
Automatic Result together with its Concert Parties (with respect to its entitlement under the Open Offer)	–	–	409,067,956	4.03	409,067,956	3.98	409,067,956	3.13	409,067,956	3.09
Automatic Result together with its Concert Parties (with respect to its entitlement under the Bonus Issue)				–	–		818,135,912	6.27	818,135,912	6.19
Automatic Result (as Underwriter)	–	–	1,040,761,259	10.26	1,059,602,926	10.31	1,040,761,259	7.98	1,059,602,926	8.02
Automatic Result (as Underwriter) (with respect to its entitlement under the Bonus Issue)	–	–	–	–	–		2,081,522,518	15.95	2,119,205,852	16.03
Sub-total:	2,454,407,736	28.21	3,904,236,951	38.47	3,923,078,618	38.16	6,803,895,381	52.14	6,860,420,382	51.90
Public	6,244,567,556	71.79	6,244,567,556	61.53	6,357,617,556	61.84	6,244,567,556	47.86	6,357,617,556	48.10
Total	<u>8,698,975,292</u>	<u>100</u>	<u>10,148,804,507</u>	<u>100</u>	<u>10,280,696,174</u>	<u>100</u>	<u>13,048,462,937</u>	<u>100</u>	<u>13,218,037,938</u>	<u>100</u>

LETTER FROM THE BOARD

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Open Offer with Bonus Issue are subject to various factors, including the results of acceptance of the Open Offer with Bonus Issue. Further announcements will be made by the Company in accordance with the Listing Rules and/or the Takeovers Codes following the conclusion of the EGM and the completion of the Open Offer with Bonus Issue upon which the Offer Shares and the Bonus Shares are allotted and issued.

INFORMATION ON THE UNDERWRITER

Automatic Result is a company incorporated in the British Virgin Islands with limited liability and a substantial shareholder of the Company. As at the Latest Practicable Date, Automatic Result is interested in approximately 28.21% of the existing issued share capital of the Company. The entire issued share capital of Automatic Result is solely and beneficially owned by Mr Tong, the chairman of the Company and an executive Director. Mr Liu, an executive Director, is the sole director of Automatic Result.

The ordinary course of business of Automatic Result is investment holding and does not include underwriting. Mr Tong has confirmed that he will provide adequate financial support to the Underwriter for its fulfilment and accomplishment of its duties and obligations of being the underwriter as stipulated by the Underwriting Agreement.

IMPLICATION UNDER THE LISTING RULES

As Automatic Result is a connected person of the Company and Rule 7.21(2) of the Listing Rules will be complied with, the transactions entered into between the Company and Automatic Result under the Underwriting Agreement constitute exempted connected transactions for the Company pursuant to Rule 14A.31(3) of the Listing Rules.

IMPLICATION UNDER THE TAKEOVERS CODE AND WHITEWASH WAIVER

Assuming the Underwriter has fully taken up (i) its minimum obligation of 1,040,761,259 Offer Shares with 2,081,522,518 Bonus Shares (assuming no Outstanding Options are exercised on or before the Record Date) or (ii) its maximum obligation of 1,059,602,926 Offer Shares with 2,119,205,852 Bonus Shares (assuming all Outstanding Options are exercised on or before the Record Date) pursuant to the Underwriter Agreement, the subscription for and the underwriting of the Offer Shares under the Open Offer with Bonus Issue by the Underwriter together with parties acting in concert with it:

- (i) may result in their aggregate shareholdings in the Company being increased from approximately 28.21% of the existing issued share capital of the Company to:
 - approximately 52.14% of the then enlarged issued share capital of the Company of 13,048,462,937 Shares upon completion of the Open Offer with Bonus Issue (assuming no Outstanding Options are exercised on or before the Record Date); and

LETTER FROM THE BOARD

- approximately 51.90% of the then enlarged issued share capital of the Company of 13,218,037,938 Shares upon completion of the Open Offer with Bonus Issue (assuming all Outstanding Options are exercised on or before the Record Date);
- (ii) will trigger an obligation for the Underwriter and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares and securities issued by the Company not already held by the Underwriter and parties acting in concert with it.

A formal application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll, which the Underwriter and parties acting in concert with it and (if applicable) Shareholders who are involved in or interested in the Underwriting Agreement and the Whitewash Waiver will abstain from voting on the ordinary resolutions to approve the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver. The Executive has indicated that the Whitewash Waiver will be granted subject to the approval of the Independent Shareholders taken by way of poll at the EGM.

If the Whitewash Waiver is granted and approved by the Independent Shareholders, the obligation of the Underwriter and parties acting in concert with it (including Mr Tong and Mr Liu) to make an unconditional mandatory offer under Rule 26 of the Takeovers Code will be waived.

In the event that the voting rights acquired by the Underwriter and parties acting in concert with it from the Open Offer with Bonus Issue exceeds 50% of the voting rights of the Company, the Underwriter and parties acting in concert with it may increase their holding in the voting rights of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer for the Shares.

Completion of the Open Offer with Bonus Issue is conditional upon, among other things, the granting of the Whitewash Waiver by the Executive. Accordingly, if the Whitewash Waiver is not obtained, the Open Offer will lapse and will not proceed.

DEALINGS OF THE SHARES BY THE UNDERWRITER AND PARTIES ACTING IN CONCERT WITH IT

There has been no dealing of Shares and other securities of the Company by the Underwriter and parties acting in concert with it for the six months' period immediately prior to the date of the Announcement and up to the Latest Practicable Date.

As at the Latest Practicable Date, other than approximately 28.21% of the issued share capital of the Company beneficially owned by the Underwriter and parties acting in concert with it, the Underwriter and parties acting in concert with it:

- (a) did not hold any other shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of securities of the Company;

LETTER FROM THE BOARD

- (b) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Underwriter or the Company and which may be material to the Whitewash Waiver and the Open Offer with Bonus Issue;
- (c) there was no agreements or arrangements to which the Underwriter is a party which related to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Whitewash Waiver and the Open Offer with Bonus Issue, other than the transactions contemplated under the Underwriting Agreement and as disclosed in this circular;
- (d) did not receive any irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Open Offer with Bonus Issue or the Whitewash Waiver; and
- (e) did not borrow or lent any securities in the Company.

FUND RAISING ACTIVITIES OF THE COMPANY WITHIN 12 MONTHS TO THE LATEST PRACTICABLE DATE

The Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the past 12 months prior to the Latest Practicable Date.

Capitalisation of debts

For general information only, the Company had on 1 December 2008 capitalised certain debts due and owing from certain PRC subsidiaries of the Company and incurred during their usual course of business in the aggregate amount of RMB69,344,000 (equivalent to approximately HK\$78,800,000) by which an aggregate of 525,333,332 new Shares were allotted and issued.

WARNING OF THE RISKS OF DEALING IN SHARES

The Open Offer with Bonus Issue is conditional upon the obligations of the Underwriter under the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer with Bonus Issue may or may not proceed.

Shareholders and potential investors should therefore exercise caution when dealing in Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Thursday, 9 April 2009 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer and the Bonus Issue are subject are fulfilled (which is expected to be on Friday, 8 May), will accordingly bear the risk that the Open Offer and the Bonus Issue cannot become unconditional and may not proceed.

LETTER FROM THE BOARD

Any Shareholder or other persons contemplating dealing in Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE AND PAYMENT FOR THE OFFER SHARES

If there is a black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on the latest date for acceptance of and payment for the Offer Shares at any local time between 12:00 noon and 4:00 p.m., the Latest Acceptance Time will be postponed to 4:00 p.m. on the following Business Day, which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m.. Accordingly, the dates subsequent to the expected date of the Latest Acceptance Time mentioned in this section headed “Expected timetable for the Open Offer with Bonus Issue” in this circular may be affected. A press announcement will be made by the Company in such event as soon as practicable.

ADJUSTMENTS RELATING TO SHARE OPTIONS UPON COMPLETION OF THE OPEN OFFER AND THE BONUS ISSUE

Pursuant to the terms of the Share Option Scheme, adjustments to the Outstanding Options may also be made upon the Open Offer and the Bonus Issue becoming unconditional. The Company will instruct its auditors or an independent financial adviser to certify in writing the adjustments (if any) that ought to be made to the Outstanding Options and announce further details on such adjustments in accordance with the provisions under the Share Option Scheme.

EGM

There is set out on pages N-1 to N-4 of this circular a notice convening the EGM to be held at 10:00 a.m. on Monday, 20 April 2009 at Room 1502, 15th Floor, AXA Centre, No. 151 Gloucester Road, Wanchai, Hong Kong at which ordinary resolutions will be proposed to consider and, if thought fit, by the Independent Shareholders to approve the Open Offer with Bonus Issue (including the term of the Underwriting Agreement) and the Whitewash Waiver.

Pursuant to Rule 7.24(5) of the Listing rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolutions relating to the Open Offer and the Bonus Issue (including the terms of the Underwriting Agreement). At the EGM, Automatic Result and its associates and parties acting in concert with any of them and those who are involved or interested in the Underwriting Agreement and the Whitewash Waiver will abstain from voting on the ordinary resolutions as set out in the notice of the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company’s share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting

LETTER FROM THE BOARD

or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjournment of it if you so wish.

RECOMMENDATION

The executive Directors consider the terms of the Open Offer with Bonus Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Your attention is drawn to the letter from each of the Independent Board Committees set out on pages 26 to 27 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Underwriting Agreement and the Whitewash Waiver.

Your attention is also drawn to the letter from AMS which contains its advice to the Independent Board Committees and the Independent Shareholders as regards the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver and the principal factors and reasons considered by it in arriving thereat. The texts of the letters from AMS is set out on pages 28 to 42 of this circular.

The Independent Board Committee has considered the terms of the Open Offer with Bonus Issue and the advice given by the Independent Financial Adviser, and recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Uni-Bio Science Group Limited
Tong Kit Shing
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



30 March 2009

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED OPEN OFFER OF
NOT LESS THAN 1,449,829,215 OFFER SHARES
AND NOT MORE THAN 1,468,670,882 OFFER SHARES
OF HK\$0.10 EACH AT HK\$0.10 PER OFFER SHARE
ON THE BASIS OF ONE OFFER SHARE FOR EVERY SIX EXISTING SHARES
HELD ON THE RECORD DATE
WITH BONUS ISSUE ON THE BASIS OF TWO BONUS SHARES OF HK\$0.10 EACH
FOR EVERY ONE OFFER SHARE TAKEN UP UNDER THE OPEN OFFER
(2) APPLICATION FOR WHITEWASH WAIVER
(3) NOTICE OF EGM**

We refer to the Letter from the Board set out in the circular dated 30 March 2009 (the “**Circular**”) of which this letter forms part.

Capitalised terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee of the Open Offer with Bonus Issue to consider the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver and to advise the Independent Shareholders to the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) as to whether the terms of the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver are fair and reasonable and in the interests of the Independent Shareholders and to recommend whether the Independent Shareholders should vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver. AMS has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us and you in relation to the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver as set out in the Circular.

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account principal factors and reasons considered by, and the opinion of, AMS as stated in its letter of advice as set out on pages 28 to 42 of the Circular, we consider the terms of the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to the Open Offer with Bonus Issue to vote in favour of the ordinary resolutions approving the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Independent Board Committee
Zhou Yao Ming Lin Jian So Yin Wai
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from AMS Capital to the Independent Board Committee in relation to the Whitewash Waiver, which has been prepared for the purpose of inclusion in this document.



博資有限公司
AMS Capital Limited

Room 201, 2nd Floor,
135 Bonham Strand Trade Centre,
135 Bonham Strand, Sheung Wan, Hong Kong

30 March 2009

*To the Independent Board Committee
and the Independent Shareholders of
Uni-Bio Science Group Limited*

Dear Sirs,

**PROPOSED OPEN OFFER OF NOT LESS THAN 1,449,829,215 OFFER SHARES
AND NOT MORE THAN 1,468,670,882 OFFER SHARES OF HK\$0.10 EACH
AT HK\$0.10 PER OFFER SHARE ON THE BASIS OF ONE OFFER SHARE
FOR EVERY SIX EXISTING SHARES HELD ON THE RECORD DATE
WITH BONUS ISSUE ON THE BASIS OF TWO BONUS SHARES OF
HK\$0.10 FOR EVERY ONE OFFER SHARE
TAKEN UP UNDER THE OPEN OFFER
APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in relation to the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver, details of which are set out in the “Letter from the Board” contained in the circular (“Circular”) of the Company dated 30 March 2009 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 9 March 2009, the Board announced that the Company proposes to raise not less than approximately HK\$144.9 million before expenses by issuing not less than 1,449,829,215 Offer Shares and not more than approximately HK\$146.8 million before expenses by issuing not more than 1,468,670,882 Offer Shares at the subscription price of HK\$0.10 per Offer Share on the basis of one Offer Share for every six Shares in issue on the Record Date with Bonus Issue on the basis of two Bonus Shares for every one Offer Share taken up under the Open Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Open Offer (other than the Offer Shares which will be provisionally allotted to Automatic Result (a substantial shareholder of the Company) and parties acting in concert with it (including Mr. Tong and Mr. Liu)) will be fully underwritten by Automatic Result, on the terms and subject to the conditions set out in the paragraph headed “Underwriting Arrangements” under the section headed “Proposed Open Offer” in this Circular.

Pursuant to the Underwriting Agreement, the Underwriter has undertaken that:

- (i) the Underwriter will take up, and procure parties acting in concert with it to take up, all of their entitlements under the Open Offer, being 409,067,956 Offer Shares; and
- (ii) the Underwriter has conditionally agreed to underwrite the balance of the Offer Shares on a fully underwritten basis.

In the event that no Qualifying Shareholder (other than the Underwriter and parties acting in concert with it (including Mr. Tong and Mr. Liu)) takes up any Offer Shares under the Open Offer, the Underwriter has agreed to subscribe for and take up:

- (i) not less than 1,040,761,259 Offer Shares and 2,081,522,518 Bonus Shares (assuming no Outstanding Options are exercised on or before the Record Date); and
- (ii) not more than 1,059,602,926 Offer Shares and 2,119,204,592 Bonus Shares (assuming all Outstanding Options are exercised in full on or before the Record Date)

that are not subscribed for under the Open Offer pursuant to the Underwriting Agreement.

Accordingly, the subscription and underwriting of the Offer Shares under the Open Offer (with Bonus Issue) by the Underwriter and parties acting in concert with it may result in their aggregate shareholdings in the Company being increased from approximately 28.21% of the existing issued share capital of the Company to:

- (i) approximately 52.14% of the then enlarged issued share capital of the Company of 13,048,462,937 Shares upon completion of the Open Offer with Bonus Issue (assuming no Outstanding Options are exercised on or before the Record Date); and
- (ii) approximately 51.90% of the then enlarged issued share capital of the Company of 13,218,037,938 Shares upon completion of the Open Offer with Bonus Issue (assuming all Outstanding Options are exercised on or before the Record Date); and

will trigger an obligation for the Underwriter and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares and securities issued by the Company not already held by the Underwriter and parties acting in concert with it.

We have been retained by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver is fair and reasonable so far the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprises Mr. Zhou Yaoming, Mr. Lin Jian and Mr. So Yin Wai, being all the independent non-executive Directors in respect of the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver has been established for the purpose of advising the Independent Shareholders on this matter.

BASIS OF OUR ADVICE

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, opinions and representations contained or referred to in the Circular were true and accurate at the time when they were made and continued to be true and accurate at the date of the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the management in the Circular were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. Having made all reasonable enquiries, the Directors have confirmed that, to the best of their knowledge, there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group and/or Automatic Result.

In formulating our opinions, we have not considered the taxation implications on the Independent Shareholders arising from acceptances or non-acceptances of the Open Offer as these are particular to their individual circumstances. It is emphasized that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Open Offer. In particular, the Independent Shareholders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consult their own tax positions, and if in any doubt, should consult their own professional advisers.

In formulating our opinions, we have made reference to the subject companies of the Comparable Offers (as defined hereafter), which are listed on the Stock Exchange for analysis purpose on a best knowledge and best endeavor basis. We have assumed the truthfulness and accuracy of the information available to us regarding the Comparable Offers. We have not, however, carried out any independent verification of the information available to us regarding the subject companies of the Comparable Offers, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the subject companies of the Comparables Offers. Our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver and in giving our recommendation to the Independent Board Committee, we have taken into account the following principal factors and reasons:

Financial highlights of the Group

The Company is an investment holding company. The Group is principally engaged in bio-science related business, with focus on the research, development and commercialization of biopharmaceuticals through recombinant DNA and other technologies.

According to the annual report of the Company for the two years ended 31 March 2007 and 2008, the Group reported net profit after taxation of approximately HK\$60.3 million and HK\$198 million respectively. However, based on the unaudited result of the Group for the six months ended 30 September 2008, the Group reported loss of HK\$286 million. Set out below are the analysis for the financial performance of the Group for the two years ended 31 March 2007 and 2008 and six months ended 30 September 2008.

(i) Financial year ended 31 March 2007

During the year under review, the Group recorded a consolidated turnover of approximately HK\$340.9 million, representing an increase of 259% compared with approximately HK\$94.9 million recorded in the last corresponding period. The gross profit was approximately HK\$185.2 million representing 11.26 times of the gross profit of approximately HK\$16.4 million as of 31 March 2006. The Group achieved a net income of approximately HK\$60.3 million for the year compared to a loss of approximately HK\$42.2 million in the previous year.

(ii) Financial year ended 31 March 2008

During the year under review, the Group recorded a consolidated turnover of HK\$869.9 million, representing an increase of 235% compared with HK\$259.5 million (adjusted) recorded in the last corresponding period. The gross profit was HK\$537.7 million representing 3.12 times of the gross profit of HK\$172.2 million (adjusted) as of 31 March 2007. The Group achieved a net income of approximately HK\$198.4 million for the year compared to a net income of approximately HK\$60.3 million in year 2007.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) Six months ended 30 September 2008

During the period under review, the Group recorded an unaudited consolidated turnover of approximately HK\$357.5 million representing a decrease of 0.5% compared with approximately HK\$359.2 million recorded in the last corresponding period. The gross profit was approximately HK\$221 million (for the six months ended 30 September 2007: approximately HK\$204.1 million) representing an increase of 8% as compared with the corresponding period of 2007. The Group recorded a net loss of approximately HK\$286.7 million for the six months ended 30 September 2008 compared to a net profit of approximately HK\$89.5 million in the corresponding period in 2007.

As disclosed in the interim report of the Group for the period, the healthcare reform in the PRC continues and the PRC healthcare industry continues to grow during the first half of 2008/2009. However, the Group continued to face challenges of surging material and operating costs, and increasing competition. The economic conditions have recently been deteriorating significantly in many countries and regions, including the PRC, and may remain depressed for prolonged periods. In order to tackle the prolonged turmoil noted in the financial market which has adversely affected, and is expected to continue to affect, the real economy, the Company has adopted a more prudent business and financial management policy to ensure the Company to maintain adequate working capital to finance the operations. The Group also has decided to suspend the development of its chemical pharmaceutical products in pipeline and concentrate its resources in developing its pipeline of innovative biological pharmaceutical products which are more promising. Because of the foregoing, impairment loss of trade receivables of HK\$20.1 million; impairment loss of goodwill of HK\$193.6 million; and impairment loss of other receivables, deposits and prepayments of HK\$102.8 million were recognized as a result of re-assessment of the Group's assets portfolio as of 30 September 2008 for the purpose of the interim report.

Reasons for the Open Offer

The Company is an investment holding company. The Group is principally engaged in bio-science related business, with focus on the research, development and commercialization of biopharmaceuticals through recombinant DNA and other technologies. The Directors are of the view that the Open Offer with the Bonus Issue will enable the Company to raise funds and provide the Company with the financial flexibility necessary for the Group's future development and investment purposes as and when suitable opportunities arise. As set out in the Letter from the Board, the Company intends to use the net proceeds from the Open Offer, being approximately HK\$141.9 million (if no Outstanding Options are exercised on or before the Record Date) or approximately HK\$143.8 million (if all Outstanding Options are exercised on or before the Record Date) for the research and development of its biological pharmaceutical products as to approximately: (a) HK\$100 million for Recombinant Exendin-4 (rExendin-4) (a potential new drug essentially for the treatment of Type 2 diabetes); and (b) the balance of the net proceeds for Recombinant Human Parathyroid Hormone (1-34) (rhPTH1-34) (a potential new drug for the treatment of osteoporosis).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We concur with the view of the Directors that the Open Offer would allow the Company to strengthen its capital base, provide resources for the research and development of new medicine and provide an opportunity to all Qualifying Shareholders to participate in the growth of the Company in proportion to their shareholdings. Accordingly, we consider that the proposed Open Offer is in the interests of the Company and the Shareholders as a whole.

The Open Offer with Bonus Issue

Assuming that no Outstanding Options are exercised on or before the completion of the Open Offer with Bonus Issue, the Offer Shares proposed to be provisionally allotted (1,449,829,215 Offer Shares) pursuant to the terms of the Open Offer represent approximately (i) 16.67% of the issued share capital of the Company of 8,698,975,292 Shares and 14.29% of the enlarged issued share capital of the Company of 10,148,804,507 Shares immediately following the completion of the Open Offer.

The number of Offer Shares which may be issued pursuant to the Open Offer will be increased in proportion to any additional Shares which may be allotted and issued pursuant to the exercise of the Outstanding Options on or before the Record Date. As at the Latest Practicable Date, there were Outstanding Options attaching subscription right to subscribe for 113,050,000 Shares. If the subscription rights attaching to all the Outstanding Options are fully exercised and Shares are allotted and issued pursuant to such exercise on or before the Record Date, the number of issued Shares is expected to be increased and the number of Offer Shares that may be issued pursuant to the Open Offer is expected to be increased to 1,468,670,882 Offer Shares.

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued to the first registered holder of the Offer Shares on the basis of two Bonus Shares for every one Offer Share taken up under the Open Offer.

On the basis of not less than 1,449,829,215 Offer Shares and not more than 1,468,670,882 Offer Shares to be issued under the Open Offer, there will be not less than 2,899,658,430 Bonus Shares and not more than 2,937,341,764 Bonus Shares to be issued.

Subscription Price

The Subscription Price is HK\$0.10 per Offer Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Open Offer.

Taking into account the Bonus Shares being issued with the Offer Shares, the Effective Price is HK\$0.0333 for each Offer Share.

The Subscription Price and the Effective Price respectively represent:

- (i) a premium of 78.6% and a discount of approximately 40.5% respectively to the closing price of HK\$0.056 per Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) a premium of approximately 85.2% and a discount of approximately 38.3% respectively to the average of the closing prices of HK\$0.054 per Share quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 83.8% and a discount of approximately 38.8% to the average of the closing prices of HK\$0.0544 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 106.7% over and a discount of approximately 31.2% to the theoretical ex-entitlement price of HK\$0.0484 respectively based on the closing price of HK\$0.056 per Share as quoted on the Stock Exchange on the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the prevailing market conditions and the recent financial conditions of the Group. The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company as at 30 September 2008 was approximately HK\$0.08554 per Share. The Directors (excluding the independent non-executive Directors) consider that the terms of the Open Offer with the Bonus Issue, including the determination of the Subscription Price is fair and reasonable and could enhance the attractiveness of the Open Offer, so as to encourage the Shareholders to participate in the Open Offer without exerting excessive financial burden on the part of the Shareholders. The Open Offer also offers each Qualifying Shareholder to maintain their respective pro rata shareholdings in the Company as well as an opportunity to apply for additional Shares (if they so wish) by way of application for excess Offer Shares and enables them to participate in the future growth of the Group.

Based on the above, the Directors consider that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Open Offer.

As advised by the Board, compared to bank borrowing which will impose extra interest expense burden on the Group, equity funding is a preferred financing method. The Directors advised that they have also considered other fund raising alternatives such as private placement. Since the Open Offer is fully underwritten, it is preferred by the Directors to private placement as it has smaller completion risk compared to private placement on a best efforts basis. In addition, the Directors consider that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Open Offer since it would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group.

Considering that (i) the Open Offer would strengthen the Group's capital base; (ii) all the Qualifying Shareholders will be offered an equal opportunity to participate in the Open Offer; and (iii) the implications of other financing alternatives to the Open Offer as mentioned above, we concur with the Directors that the Open Offer is in the interest of the Company and the Shareholders as a whole, and is a fair and reasonable means to raise capital for the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Past Share price performance

The table below illustrates the price of the Shares during the period from 1 March 2008 (being the 12 calendar months period prior to the Last Trading Day and thereafter up to and including the Latest Practicable Date) (the “Review Period”).

For the month ended	Highest of the month <i>HK\$</i>	Lowest of the month <i>HK\$</i>	Closing of the last trading day of the month <i>HK\$</i>	Average Daily Turnover <i>Shares</i>
2009-03 (<i>Note 1</i>)	0.057	0.039	0.048	40,194,663
2009-02	0.074	0.038	0.056	84,983,000
2009-01	0.052	0.039	0.040	26,506,523
2008-12	0.078	0.039	0.050	57,011,952
2008-11	0.056	0.037	0.041	45,864,142
2008-10	0.182	0.035	0.047	34,796,000
2008-09 (<i>Note 2</i>)	0.208	0.135	0.184	35,976,000
2008-08 (<i>Note 3</i>)	—	—	—	0
2008-07	0.380	0.198	0.235	31,034,818
2008-06	0.445	0.365	0.380	19,536,758
2008-05	0.460	0.395	0.410	39,710,250
2008-04	0.500	0.415	0.435	25,724,809
2008-03	0.500	0.400	0.415	16,181,211

Note:

- (1) Referring to the first trading day of March 2009 to the Latest Practicable Date.
- (2) Trading of the Shares was suspended on the whole month except the last trading day of this month.
- (3) Trading of the Shares was suspended on the whole month

During the Review Period, the price of the Shares ranged from the lowest of HK\$0.035 per Share (recorded on 28 October 2008) to the highest of HK\$0.50 (recorded both on 3 March 2008 and 7 April 2008). The Subscription Price represents a premium of 185.7% to the lowest price and a discount of 80% to the highest closing price during the Review Period. On the other hand, the Effective Price represents a discount of 4.86% to the lowest price and a discount of 93.3% to the highest price during the Review Period. The Directors advised that the Subscription Price was set considering the par value of the Shares of HK\$0.10 and new Shares cannot be issued at price lower than the par value and the Effective Price was set at a price lower than the recent market prices of the Shares in order to attract the Qualifying Shareholders to subscribe the Offer Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Net asset value per Share

Based on the pro forma financial information as set out in Appendix II to the Circular, the unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company as at 30 September 2008 was HK\$0.08554. The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company as at 30 September 2008 assuming completion of the Open Offer with maximum number of Offer Shares and Bonus Shares to be issued is HK\$0.06701. The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company as at 30 September 2008 assuming completion of the Open Offer with minimum number of Offer Shares and Bonus Shares to be issued is HK\$0.06716. Therefore, the Effective Price of the Open Offer represents discount of 50.31% to 50.42% to the pro forma net asset value per Share upon completion of the Open Offer assuming maximum and minimum number of Offer Shares and Bonus Shares are issued respectively.

Recent open offers

In assessing the Subscription Price and the Effective Price we have identified 6 open offers announced by other companies listed on the Main Board of the Stock Exchange (the “Comparables”) for a 12-month period prior to the date of the Announcement. As comparables with similar business to the Company are limited, we chose to compare based on the market capitalizations of the respective issuer. As at the Last Trading Day, the market capitalization of the Company was approximately HK\$487 million. As such, Comparables with market capitalization (prior to the announcement of the respective open offer) between HK\$300 million to HK\$500 million were chosen and list out below for comparison.

Date of Announcement	Issuer	Principal business	Basis of offer	(Premium)/ Discount of subscription price to last trading price prior to announcement	(Premium)/ Discount of subscription price to theoretical ex right price as at last trading price prior to announcement
9-Mar-09	The Company	Bio-science related business, with focus on the research, development and commercialization of biopharmaceuticals through recombinant of DNA and other technologies	1 for 6 with 2 bonus shares for each offer share	(81.8%) - Subscription Price 39.5% - Effective Price	(109.6%) - Subscription Price 30.2% - Effective Price

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of Announcement	Issuer	Principal business	Basis of offer	(Premium)/ Discount of subscription price to last trading price prior to announcement	(Premium)/ Discount of subscription price to theoretical ex right price as at last trading price prior to announcement
13-Mar-09	Sun's Group Limited	Property investment and development, securities investment and trading, general trading, coal processing and production of coke and coal-related chemicals	2 for 5	1.5%	1.1%
20-Jan-09	Global Green tech Group limited	Manufacturing and sale of household products, industrial products, cosmetics and skincare products and bio-technology products with medical and cosmetics application, provision of loan financing services and investment and/or trading in market securities, bonds, foreign currencies, various funds and other income generated fixed assets' portfolios (<i>Note</i>)	12 for 25	31.5%	23.8%
18-Jul-08	Dynamic Global Holdings Limited	Property development	1 for 1	22.1%	12.4%
4-Jul-08	Mandarin Entertainment (Holdings) Limited	Film distribution and licensing, film processing and advertising and promotional services	19 for 10	77.5%	54.3%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of Announcement	Issuer	Principal business	Basis of offer	(Premium)/ Discount of subscription price to last trading price prior to announcement	(Premium)/ Discount of subscription price to theoretical ex right price as at last trading price prior to announcement
20-Jun-08	Burwill Holdings Limited	International steel trading warehousing and distribution, steel manufacturing and processing, and property development and investment	18 for 10	55.0%	30.0%
23-Apr-08	China Oil Resources Holdings Limited	Manufacture and sale of paints, blended solvents and plastic colorants and trading of chemical materials	1 for 2	40.6%	31.3%

Note: There is no information of the business contained on the announcement regarding the open offer. This information is extracted from the circular of the respective open offer dated 23 February 2009.

Source: Announcements from the website of the Stock Exchange. The list of Comparables is the exhaustive result of keyword searches conducted on “Open Offer”, “Open Offer” and “Bonus Issue” for content from 9 March 2008 onwards in which comparables of open offer and open offer with bonus issue are identified.

The deepest discount of subscription price to last trading price and the theoretical ex right price was 77.5% and 54.3% respectively. The least discount of subscription price to last trading price and the theoretical ex right price was 1.5% and 1.1% respectively. The subscription prices per share of the Comparables ranged from a discount of approximately 1.5% to 77.52% to the closing price per share on the last trading day prior to the respective open offer announcement, with an average discount of approximately 37.85%. Hence, the discount of 39.5% as represented by the Effective Price falls close to the average discount.

The subscription prices per share of the Comparables ranged from a discount of approximately 1.1% to 54.3% to the theoretical ex-open offer prices based on the closing price on the last trading day prior to the relevant open offer announcement with an average discount of approximately 25.48%. Hence, the discount of approximately 30.2% as represented by the Effective Price to the theoretical ex-open offer prices on the Last Trading Day falls within the mid range of the Comparables.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We wish to draw the attention of Independent Shareholders that, among the Comparables, save for Global Green Tech Group Limited which is also engaged in the bio-technology products with medical and cosmetics applications which is similar to the principal business of the Company, the other Comparables carried out different business activity which may disturb the accuracy in comparison.

Considering (i) the comparison above; (ii) that the Subscription Price was determined after arm's length negotiations between the Company and the Underwriter; (iii) that the discount as represented by the Subscription Price and Effective Price to the recent closing prices of the Shares and the net tangible asset value of the Shares; (iv) that all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer and to take up their entitlements in full at the same price to maintain their respective shareholdings in the Company; and (v) that Directors consider that the discounts of the Subscription Price and Effective Price as compared to the recent closing prices of the Shares would encourage the Shareholders to participate in the Open Offer, we are of the opinion and concur with the Directors that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Dilution effect

Assuming the Underwriter has taken up (i) its minimum obligation of 1,040,761,259 Offer Shares with 2,081,522,518 Bonus Shares (assuming no Outstanding Options are exercised on or before the Record Date) or (ii) its maximum obligation of 1,059,602,926 Offer Shares with 2,119,205,852 Bonus Shares (assuming all Outstanding Options are exercised on or before the Record Date) pursuant to the Underwriter Agreement, the subscription for and the underwriting of the Offer Shares under the Open Offer with Bonus Issue by the Underwriter together with parties acting in concert with it may result in their aggregate shareholdings in the Company being increased from approximately 28.21% of the existing issued share capital of the Company to approximately 52.14% of the then enlarged issued share capital of the Company of 13,048,462,937 Shares upon completion of the Open Offer with Bonus Issue (assuming no Outstanding Options are exercised on or before the Record Date); and approximately 51.90% of the then enlarged issued share capital of the Company of 13,218,037,938 Shares upon completion of the Open Offer with Bonus Issue (assuming all Outstanding Options are exercised on or before the Record Date);

Considering 1) that the Open Offer enables the Qualifying Shareholders to maintain their proportionate interests in the Company should they wish to do so, and 2) provides an equal opportunity among the Qualifying Shareholders to participate in the future growth and development of the Company, we are of the view that the potential dilution effect of the Open Offer is acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial effects of the Open Offer

Based on the information set out in Appendix II to the Circular, the unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company as at 30 September 2008 was HK\$0.08554. The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company as at 30 September 2008 assuming completion of the Open Offer with minimum number of Offer Shares and Bonus Shares to be issued is HK\$0.06701. The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company as at 30 September 2008 assuming completion of the Open Offer with maximum number of Offer Shares and Bonus Shares to be issued is HK\$0.06716. Such decline in the net tangible assets per Share is mainly due to the deep discount of the Subscription Price to the pro forma consolidated net tangible asset value per Share before completion of the Open Offer and the issue of Bonus Shares. As set out in the paragraphs headed “Open Offer” above, the Directors consider that the proceeds from the Open Offer will strengthen the capital base of the Group and that the Open Offer is in the interest of the Company and the Shareholders as a whole.

Considering 1) the discount of the Subscription Price and Effective Price as compared to the recent closing prices of the Shares would encourage the Shareholders to participate in the Open Offer in the recent financial turmoil environment and 2) that the Offer Shares are offered to all Qualifying Shareholders, we are in the opinion that the decrease in the net tangible asset value per Share after completion of the Open Offer is acceptable.

Considering 1) upon completion of the Open Offer, the cash and cash equivalents of the Group would increase by the amount of net proceeds of approximately HK\$140.0 million from the Open Offer and net current assets and current ratio would be improved, 2) the gearing of the Group would be reduced as a result of the inflow of the net proceeds, we are of the view that the Open Offer is favourable to the Group.

Underwriting Arrangement

We have reviewed the Underwriting Agreement and set out below are the major terms:

Underwriting Commission

Pursuant to the Underwriting Agreement, 0.5% of the total Subscription Price in respect of the maximum number of Offer Shares underwritten by the Underwriter will be paid to the Underwriter. The commission to be received by the Underwriter will not be less than approximately HK\$0.52 million and not more than HK\$0.53 million. The commission payable to the Underwriter was determined after arm's length negotiation between the Company and the Underwriter. We concur with the Directors and consider that such amount is on normal commercial terms, comparable with market rate and fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Termination of the Underwriting Agreement

Subject to the fulfillment of the conditions of the Underwriting Agreement, the Open Offer will not proceed if the Underwriter exercise their termination rights under the Underwriting Agreement, details of the provisions are set out in the section headed “Termination of the Underwriting Agreement” in the Letter from the Board of this circular. As it is common to have termination clause in the underwriting agreements, we consider such are normal commercial terms and in line with market practice.

We concur with the view of the Directors that the terms of the Underwriting Agreement are fair and reasonable and in the interest of the Company and Shareholders as a whole.

Whitewash Waiver

Assuming the Underwriter has taken up (i) its minimum obligation of 1,040,761,259 Offer Shares with 2,081,522,518 Bonus Shares (assuming no Outstanding Options are exercised on or before the Record Date) or (ii) its maximum obligation of 1,059,602,926 Offer Shares with 2,119,205,852 Bonus Shares (assuming all Outstanding Options are exercised on or before the Record Date) pursuant to the Underwriter Agreement, the subscription for and the underwriting of the Offer Shares under the Open Offer with Bonus Issue by the Underwriter together with parties acting in concert with it:

- (i) may result in their aggregate shareholdings in the Company being increased from approximately 28.21% of the existing issued share capital of the Company to:
 - approximately 52.14% of the then enlarged issued share capital of the Company of 13,048,462,937 Shares upon completion of the Open Offer with Bonus Issue (assuming no Outstanding Options are exercised on or before the Record Date); and
 - approximately 51.90% of the then enlarged issued share capital of the Company of 13,218,037,938 Shares upon completion of the Open Offer with Bonus Issue (assuming all Outstanding Options are exercised on or before the Record Date);
- (ii) will trigger an obligation for the Underwriter and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares and securities issued by the Company not already held by the Underwriter and parties acting in concert with it.

A formal application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll, which the Underwriter and parties acting in concert with it and (if applicable) Shareholders who are involved in or interested in the Underwriting Agreement and the Whitewash Waiver will abstain from voting on the relevant resolutions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Letter from the Board, the Open Offer and the Underwriting Agreement are inter-conditional and that it is one of the conditions of the Underwriting Agreement that the Whitewash Waiver be obtained. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Open Offer will not proceed. As a result, the Company will lose all the benefits to be brought by the Open Offer as detailed in the Letter from the Board.

RECOMMENDATION

We are in the opinion that for the purpose of implementing the Open Offer as discussed above, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM is in the interests of Company and the Independent Shareholders as a whole and are fair and reasonable. We consider that the terms of the Open Offer with Bonus Issue (including the terms of the Underwriting Agreement) and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the Whitewash Waiver.

Yours faithfully,
For and on behalf of
AMS Capital Limited

Johnny Tam
Responsible Officer

Ginny Ho
Responsible Officer

PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Article 66 of the Articles of Association sets out the following procedure by which Shareholders may demand a poll.

At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required by the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) a Shareholder or Shareholders present or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or
- (v) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent. (5%) or more of the total voting rights at such meeting.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial information of the Group for the three financial years ended 31 March 2008 extracted from the audited financial statements of the Group for each of the three financial years ended 31 March 2008. The unaudited consolidated financial statements of the Group for the six month ended 30 September 2008 as extracted from the interim report dated 29 December 2008 issued by the Company is also set out below.

The auditors' opinion as set out in the annual reports of the Group for each of the three years ended 31 March 2008 was unqualified.

Consolidated Income Statement

	For the six months ended 30 September 2008 HK\$'000	For the year ended 31 March		
		2008 HK\$'000	2007 HK\$'000	2006 HK\$'000
Continuing operations:				
Turnover	357,499	869,946	340,894	94,949
Cost of sales	(136,541)	(332,264)	(155,702)	(78,513)
Gross profit	220,958	537,682	185,192	16,436
Other revenue and net income	134	702	18,812	3,075
Selling and distribution costs	(61,757)	(67,438)	(22,479)	(1,627)
Administrative expenses	(104,508)	(120,263)	(51,149)	(24,273)
Other expenses	(316,589)	(14,525)	(4,841)	(36,554)
Operating profit/(loss)	(261,762)	336,158	125,535	(42,943)
Finance costs	(311)	(1,745)	(14,861)	(4,130)
Gain on deconsolidation of a subsidiary	–	–	10,147	–
Profit on disposal of investment in a subsidiary	–	–	–	1,359
Profit/(Loss) before income tax	(262,073)	334,413	120,821	(45,714)
Income tax	(24,645)	(139,134)	(60,505)	3,554
Profit/(Loss) for the year from continuing operations	(286,718)	195,279	60,316	(42,160)
Discontinued operations:				
Profit/(Loss) for the year from discontinued operations	–	3,101	–	–
Profit/(Loss) for the year	(286,718)	198,380	60,316	(42,160)

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	For the six months ended 30 September 2008 HK\$'000	For the year ended 31 March		
		2008 HK\$'000	2007 HK\$'000	2006 HK\$'000
Attributable to:				
Equity holders of the Company	(286,718)	198,380	60,322	(42,446)
Minority interests	—	—	(6)	286
	<u>(286,718)</u>	<u>198,380</u>	<u>60,316</u>	<u>(42,160)</u>
Dividends	<u>—</u>	<u>—</u>	<u>11,044</u>	<u>—</u>
	For the six months ended 30 September 2008 HK Cents	For the year ended 31 March		
		2008 HK Cents	2007 HK Cents (restated) (Note a)	2006 HK Cents (restated)
Dividend per share	<u>—</u>	<u>—</u>	<u>1.1</u>	<u>—</u>
			(Note b)	(Note b)
(Loss)/Earnings per share				
From continuing and discontinued operations				
Basic	<u>(3.53)</u>	<u>2.60</u>	<u>1.06</u>	<u>(2.62)</u>
Diluted	<u>(3.52)</u>	<u>2.55</u>	<u>1.01</u>	<u>N/A</u>
From continuing operations				
Basic	<u>(3.53)</u>	<u>2.55</u>	<u>1.09</u>	<u>(2.62)</u>
Diluted	<u>(3.52)</u>	<u>2.51</u>	<u>1.04</u>	<u>N/A</u>

Note a: Dividend per share for the year ended 31 March 2007 is calculated on the basis of dividend totaling HK\$11,044,000 and the 1,004,000,000 ordinary shares outstanding as of 31 March 2007.

b: (Loss) per share for the year ended 31 March 2006 has been adjusted for the effect of bonus issue in August 2007 and the open offer in April 2006. Earnings per share for the year ended 31 March 2007 has been adjusted for the effect of bonus issue in August 2007.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****Consolidated Balance Sheet**

	As at 30 September 2008 HK\$'000	2008 HK\$'000	As at 31 March 2007 HK\$'000	2006 HK\$'000
Non-current assets				
Goodwill	379,926	573,552	557,541	–
Property, plant and equipment	348,151	353,840	334,549	63,882
Investment properties	5,409	5,277	–	–
Leasehold land and land use rights	28,054	28,144	14,697	–
Intangible assets	343,304	358,896	114,257	–
Interests in an associate	9,979	9,979	–	–
Deferred tax assets	–	–	1,874	139
	<u>1,114,823</u>	<u>1,329,688</u>	<u>1,022,918</u>	<u>64,021</u>
Current assets				
Leasehold land and land use rights	1,062	1,036	784	–
Inventories	9,101	9,115	15,352	17,732
Trade receivables	184,525	209,033	59,737	16,633
Other receivables, deposits and prepayments	217,559	278,823	142,919	24,394
Dividend receivable	–	–	1,100	1,100
Tax recoverable	–	–	219	1
Pledged bank deposits	–	–	13,550	13,040
Cash and cash equivalents	27,259	38,353	42,868	1,888
	<u>439,506</u>	<u>536,360</u>	<u>276,529</u>	<u>74,788</u>
Current liabilities				
Trade payables	39,861	48,588	30,380	17,604
Accrued charges and other payables	61,077	86,223	55,311	15,704
Tax payables	15,753	60,979	20,813	77
Amount due to ultimate holding company	–	–	–	1,547
Amounts due to directors	5,206	3,007	–	1,903
Current portion of long-term loans	–	–	12,645	13,700
Current portion of obligations under finance leases	–	–	161	100
Other loan	10,000	10,000	–	–
Trust receipts	–	–	2,962	2,438
Bank overdrafts, secured	–	–	8,951	8,360
	<u>131,897</u>	<u>208,797</u>	<u>131,223</u>	<u>61,433</u>
Net current assets	307,609	327,563	145,306	13,355
Total assets less current liabilities	1,422,432	1,657,251	1,168,224	77,376

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	As at 30 September 2008 HK\$'000	2008 HK\$'000	As at 31 March 2007 HK\$'000	2006 HK\$'000
Non-current liabilities				
Long-term loans	–	–	36,950	37,637
Obligations under finance leases	–	–	202	209
Convertible bonds	–	–	51,876	–
Deferred tax liabilities	–	–	8,766	5,926
	<u>–</u>	<u>–</u>	<u>97,794</u>	<u>43,772</u>
NET ASSETS	<u>1,422,432</u>	<u>1,657,251</u>	<u>1,070,430</u>	<u>33,604</u>
CAPITAL AND RESERVES				
Share capital	817,364	804,069	100,400	18,000
Reserves	<u>605,068</u>	<u>853,182</u>	<u>968,936</u>	<u>14,504</u>
Total equity attributable to equity shareholders of the Company	1,422,432	1,657,251	1,069,336	32,504
Minority interests	<u>–</u>	<u>–</u>	<u>1,094</u>	<u>1,100</u>
TOTAL EQUITY	<u>1,422,432</u>	<u>1,657,251</u>	<u>1,070,430</u>	<u>33,604</u>

The Directors confirm that there was no extraordinary or exceptional items for the three years ended 31 March 2008 and for the six months ended 30 September 2008.

Set out below is the audited consolidated financial statements of the Group for the financial years ended 31 March 2007 and 31 March 2008 together with the relevant notes to the accounts, which is extracted from the annual report of the Company for the year ended 31 March 2008. The auditor of the Company has not issued any qualified opinion on the Group's financial statements for the financial years ended 31 March 2007 and 31 March 2008.

Consolidated Income Statement

For the year ended 31 March 2008

		2008	2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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		<u>198,380</u>	<u>60,316</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

		2008	2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Equity holders of the Company	10	198,380	60,322
Minority interests		—	(6)
		<u>198,380</u>	<u>60,316</u>
Dividends	13	—	11,044
		<u>—</u>	<u>11,044</u>
		2008	2007
		<i>HK cents</i>	<i>HK cents</i>
			(restated)
Earnings per share	11		
From continuing and discontinued operations			
Basic		2.60	1.06
		<u>2.60</u>	<u>1.06</u>
Diluted		2.55	1.01
		<u>2.55</u>	<u>1.01</u>
From continuing operations			
Basic		2.55	1.09
		<u>2.55</u>	<u>1.09</u>
Diluted		2.51	1.04
		<u>2.51</u>	<u>1.04</u>

Consolidated Balance Sheet*As at 31 March 2008*

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
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

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

		2008	2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
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

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****Balance Sheet***As at 31 March 2008*

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
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

Consolidated Statement of Changes in Equity*For the year ended 31 March 2008*

	Attributable to equity shareholders of the Company											
	Share capital	Share premium	Capital reserve	Statutory reserve	Share-based payments reserve	Equity component of convertible bonds reserves	Revaluation reserve	Exchange reserve	Retained profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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

Consolidated Cash Flow Statement*For the year ended 31 March 2008*

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
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

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
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

Notes to the Financial Statements*For the year ended 31 March 2008***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.

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));
- convertible bonds (see note 3(k)); and
- 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.

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).

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.

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.

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.

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.

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).

– 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.

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.

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).

(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.

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.

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 recognised 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 recognised 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.

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.

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;
- (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
	<u>702</u>	<u>460</u>	<u>1,162</u>	<u>7,617</u>	<u>11,195</u>	<u>18,812</u>

6. PROFIT BEFORE INCOME TAX

	2008			2007		
	Continuing operations <i>HK\$'000</i>	Discontinued operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>	Continuing operations <i>HK\$'000</i>	Discontinued operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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	<u>1,745</u>	<u>4,005</u>	<u>5,750</u>	<u>4,726</u>	<u>10,135</u>	<u>14,861</u>
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
	<u>27,822</u>	<u>2,289</u>	<u>30,111</u>	<u>38,155</u>	<u>5,509</u>	<u>43,664</u>
Less: Staff costs included in research and development costs	<u>(5,072)</u>	<u>–</u>	<u>(5,072)</u>	<u>(10,663)</u>	<u>–</u>	<u>(10,663)</u>
	<u>22,750</u>	<u>2,289</u>	<u>25,039</u>	<u>27,492</u>	<u>5,509</u>	<u>33,001</u>

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

	2008			2007		
	Continuing operations	Discontinued operations	Consolidated	Continuing operations	Discontinued operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	Discontinued operations	Consolidated	Continued operations	Discontinued operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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
	<u>139,134</u>	<u>–</u>	<u>139,134</u>	<u>55,665</u>	<u>4,840</u>	<u>60,505</u>

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	<u>139,134</u>	<u>60,505</u>

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
	<u>540</u>	<u>–</u>	<u>–</u>	<u>18</u>	<u>558</u>

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
	<u>482</u>	<u>–</u>	<u>–</u>	<u>18</u>	<u>500</u>

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 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Salaries and other emoluments	2,139	–
Share-based payments	–	9,994
Retirement scheme contributions	–	–
	<u>2,139</u>	<u>9,994</u>

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

	2008 <i>Number of individuals</i>	2007 <i>Number of individuals</i>
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
	<u>–</u>	<u>2</u>

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.

(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.

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

Primary reporting format-business segments

For the year ended 31 March 2008

	Continuing Operations				Discontinued Operations	Consolidated
	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	
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

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

For the year ended 31 March 2007

	Continuing Operations			Total HK\$'000	Discontinued Operations	Consolidated HK\$'000
	Distribution of third party pharmaceutical products HK\$'000	In-house chemical pharmaceutical products HK\$'000	In-house biological pharmaceutical products HK\$'000		Packaging products, paper gifts items and promotional products business 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)

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	Discontinued	Consolidated	Continuing	Discontinued	Consolidated	Continuing	Discontinued	Consolidated
	operations	operations		operations	operations		operations	operations	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	–	–	–	–	–	–
	<u>869,946</u>	<u>62,570</u>	<u>932,516</u>	<u>1,866,048</u>	<u>–</u>	<u>1,866,048</u>	<u>344,273</u>	<u>–</u>	<u>344,273</u>

For the year ended 31 March 2007

	Turnover			Total assets			Capital expenditure		
	Continuing	Discontinued	Consolidated	Continuing	Discontinued	Consolidated	Continuing	Discontinued	Consolidated
	operations	operations		operations	operations		operations	operations	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	–	–	–	–	–	–
	<u>259,519</u>	<u>81,375</u>	<u>340,894</u>	<u>1,176,889</u>	<u>122,558</u>	<u>1,299,447</u>	<u>404,588</u>	<u>793</u>	<u>405,381</u>

13. DIVIDENDS

	2008	2007
	HK\$'000	HK\$'000
Proposed final dividend	<u>–</u>	<u>11,044</u>

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 <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in-progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
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

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

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

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

Notes:

- From the year ended 31 March 2007, the revaluation of plant and machinery was performed by independent valuers annually.
- 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.
- 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).
- 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 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Balance at beginning of year	–	–
Acquisitions through acquisition of subsidiaries	4,907	–
Exchange differences	370	–
	<u>5,277</u>	<u>–</u>
Balance at end of year	<u>5,277</u>	<u>–</u>

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 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
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

	<i>HK\$'000</i>
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 subsidiary	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

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 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
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 <i>HK\$'000</i>
Cost	
At 1 April 2006	–
Acquisition of a subsidiary	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 capital	Interest held (Indirect)
廣東聯康生物與醫藥研究院	The PRC	Inactive	Contributed capital of Renminbi ("RMB") 20,000,000	45%

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

	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%
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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	1,199	8,711
Work in progress	1,246	5,808
Finished goods	6,670	4,340
	<u>9,115</u>	<u>18,859</u>
Less: Provision for impairment of inventories	<u>–</u>	<u>(3,507)</u>
	<u><u>9,115</u></u>	<u><u>15,352</u></u>

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

22. TRADE RECEIVABLES

	The Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<u>209,033</u>	<u>59,737</u>

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.

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

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Renminbi (“RMB”)	<u>188,526</u>	<u>40,897</u>

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deposits for purchases of technical know-how (<i>note a</i>)	155,302	42,151	–	–
Deposits and prepayments for purchases of plant and machinery (<i>note b</i>)	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
	<u>278,823</u>	<u>142,919</u>	<u>76</u>	<u>27</u>

- 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	<u>38,353</u>	<u>42,868</u>	<u>20,845</u>	<u>2,838</u>
Cash and cash equivalents in the balance sheet	<u>38,353</u>	<u>42,868</u>	<u>20,845</u>	<u>2,838</u>
Bank overdrafts, secured	<u>–</u>	<u>(8,951)</u>	<u>–</u>	<u>–</u>
Cash and cash equivalents in the consolidated cash flow statement	<u>38,353</u>	<u>33,917</u>		

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<i>'000</i>	<i>'000</i>
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
		<u>–</u>	<u>10,595</u>
	Other loans repayable:		
	Within 1 year or on demand	10,000	6,000
	After 1 year but within 2 years	–	33,000
		<u>10,000</u>	<u>39,000</u>
		10,000	49,595
	Less: Amount due within 1 year shown under current liabilities	<u>(10,000)</u>	<u>(12,645)</u>
		<u>–</u>	<u>36,950</u>
	Secured	–	46,595
	Unsecured	<u>10,000</u>	<u>3,000</u>
		<u>10,000</u>	<u>49,595</u>

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

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 <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>	Present value of the minimum lease payments <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>
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 '000	Par value 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 (<i>Note a</i>)	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 (<i>Note b</i>)	360,000	36,000
Issue of shares for the acquisition of subsidiaries (<i>Note c</i>)	220,000	22,000
Issue of shares by share placement (<i>Note d</i>)	108,000	10,800
Issue of shares for the acquisition of subsidiaries (<i>Note e</i>)	80,000	8,000
Issue of shares upon conversion of convertible bonds on 20 December 2006 (<i>Note f</i>)	26,500	2,650
Issue of shares upon conversion of convertible bonds on 5 January 2007 (<i>Note f</i>)	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 (<i>Note g</i>)	64,000	6,400
Issue of shares upon exercise of warrants (<i>Note h</i>)	1	1
Issue of shares upon exercise of options (<i>Note i</i>)	18,000	1,800
Issue of shares for the acquisition of subsidiaries (<i>Note j</i>)	36,670	3,667
Issue of bonus shares (<i>Note k</i>)	6,736,021	673,601
Issue of share upon exercise of options (<i>Note l</i>)	182,000	18,200
At 31 March 2008, ordinary shares of HK\$0.10 each	8,040,692	804,069

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										
	Equity component of										Total
	Share-based					Revaluation reserve	Exchange reserve	Retained profits	Total	Minority interests	
	Share premium	Capital reserves	Statutory reserve	payments reserve	bonds reserve						
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(note a)		(note b)	(note 30)		(note c)	(note d)					
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

The Company

	Share premium <i>HK\$'000</i> <i>(note a)</i>	Share-based payments reserve <i>HK\$'000</i> <i>(note 30)</i>	Equity component of convertible bonds reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 transactions	–	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 – transfer from share based payments reserve	33,851	–	–	–	33,851
Issue of shares – conversion of convertible bond	17,486	(17,486)	–	–	–
Issue of shares – acquisition of a subsidiary	58,290	–	(11,904)	–	46,386
Issue of shares – bonus issue	198,018	–	–	–	198,018
Equity settled share-based payments transactions	(673,601)	–	–	–	(673,601)
Final dividend 2006/2007 declared	–	7,007	–	–	7,007
Loss attributable to shareholders	–	–	–	(12,349)	(12,349)
	–	–	–	(20,440)	(20,440)
At 31 March 2008	559,641	22,062	–	(47,632)	534,071

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.

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 31 March 2008 '000	Exercise price HK\$	Date of grant	Exercise period	Remaining contractual life
	Outstanding at 1 April 2006, 31 March 2007 and 1 April 2007	Granted during the year	Adjusted during the year	Exercised during the year	Lapsed during the year					
	'000	'000	'000	'000	'000					
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
	<u>72,000</u>	<u>50,000</u>	<u>324,000</u>	<u>(200,000)</u>	<u>–</u>	<u>246,000</u>				

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	2007	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>–</u>	<u>8,766</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>8,766</u>

Deferred tax assets

	The Group					
	Accelerated tax depreciation		Tax losses		Total	
	2008	2007	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>–</u>	<u>(10)</u>	<u>–</u>	<u>(1,864)</u>	<u>–</u>	<u>(1,874)</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Plant and machinery	–	47,850
Trade receivables	–	25,184
Pledged bank deposits	–	13,550
	<u>–</u>	<u>86,584</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted for:		
– Purchases of technical know-how	9,072	9,222
– Purchases of plant and machinery	20,050	2,742
– Renovation	562	–
	<u>29,684</u>	<u>11,964</u>
	<u><u>29,684</u></u>	<u><u>11,964</u></u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	763	1,308
After 1 year but within 5 years	2,057	220
	<u>2,820</u>	<u>1,528</u>
	<u><u>2,820</u></u>	<u><u>1,528</u></u>

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:

	The Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term employee benefits	2,547	1,136
Post-employment benefits	–	43
	<u>2,547</u>	<u>1,179</u>
	<u><u>2,547</u></u>	<u><u>1,179</u></u>

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

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

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

- 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)

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	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
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)

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

	2008
	<i>HK\$'000</i>
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
Satisfied by:	
Cash	36,000
Expenses incurred	(785)
	35,215
Net cash inflow arising on disposal:	
Net cash consideration	35,215
Bank overdrafts disposed of	4,773
	39,988

37. MAJOR NON-CASH TRANSACTIONS

During the year, 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.

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.

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.

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.

2. UNAUDITED INTERIM RESULTS

Set out below is a summary of the unaudited consolidated financial statements of the Group together with the relevant notes to the accounts as extracted from the interim report of the Company for the six months ended 30 September 2008.

Condensed Consolidated Income Statement

For the six months ended 30 September 2008

		Unaudited Six months ended 30 September	
		2008	2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing Operations:			
Turnover	3	357,499	359,180
Cost of sales		(136,541)	(155,079)
Gross profit		220,958	204,101
Other revenues		134	1,367
Distribution costs		(61,757)	(15,590)
Administrative expenses		(104,508)	(39,904)
Impairment loss of trade receivables		(20,123)	–
Impairment loss of goodwill		(193,626)	–
Impairment loss of other receivables, deposits and prepayments		(102,840)	–
Operating (loss)/profit		(261,762)	149,974
Finance costs		(311)	(1,958)
(Loss)/profit before income tax		(262,073)	148,016
Income tax	6	(24,645)	(61,979)
(Loss)/profit for the period from continuing operations		(286,718)	86,037
Discontinued Operations:			
Profit for the period from discontinued operations		–	3,478
(Loss)/profit for the period	4	(286,718)	89,515
Attributable to:			
Equity holders of the Company		(286,718)	89,515
Minority interests		–	–
		(286,718)	89,515
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share	8		
From continuing and discontinued operations			
Basic		(3.53)	1.21
Diluted		(3.52)	1.17
From continuing operations			
Basic		(3.53)	1.17
Diluted		(3.52)	1.13

Condensed Consolidated Balance Sheet*At 30 September 2008*

		Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
	<i>Note</i>		
Non-current assets			
Goodwill		379,926	573,552
Property, plant and equipment		348,151	353,840
Investment properties		5,409	5,277
Leasehold land and land use rights held for own use		28,054	28,144
Intangible assets		343,304	358,896
Interests in an associate		9,979	9,979
		<u>1,114,823</u>	<u>1,329,688</u>
Current assets			
Leasehold land and land use rights held for own use		1,062	1,036
Inventories		9,101	9,115
Trade receivables	9	184,525	209,033
Other receivables, deposits and prepayments		217,559	278,823
Cash and cash equivalents		27,259	38,353
		<u>439,506</u>	<u>536,360</u>
Current liabilities			
Trade payables	10	39,861	48,588
Accrued charges and other payables		61,077	86,223
Tax payable		15,753	60,979
Amounts due to directors		5,206	3,007
Other loan		10,000	10,000
		<u>131,897</u>	<u>208,797</u>
Net current assets		<u>307,609</u>	<u>327,563</u>
Total assets less current liabilities		1,422,432	1,657,251
NET ASSETS		<u>1,422,432</u>	<u>1,657,251</u>
CAPITAL AND RESERVES			
Share capital	11	817,364	804,069
Reserves		605,068	853,182
Total equity attributable to equity shareholders of the Company		1,422,432	1,657,251
Minority interests		—	—
TOTAL EQUITY		<u>1,422,432</u>	<u>1,657,251</u>

Condensed Consolidated Cash Flow Statement*For the six months ended 30 September 2008*

	Unaudited	
	Six months ended	
	30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated from operating activities, including discontinued operations	(30,801)	119,057
Net cash (used in)/generated from investing activities, including discontinued operations	(20,138)	28,201
Net cash generated from financing activities, including discontinued operations	39,845	936
(Decrease)/increase in cash and cash equivalents	(11,094)	148,194
Cash and cash equivalents at 1 April	38,353	33,917
Cash and cash equivalents at 30 September	27,259	182,111
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	27,259	182,111

Condensed Consolidated Statement of Changes in Equity*For the six months ended 30 September 2008*

	Unaudited									
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Share based payments reserve	Exchange reserve	Retained profits/ (Accumulated losses)	Sub-total	Minority interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008	804,069	488,038	(267)	6,289	22,061	96,801	240,260	1,657,251	–	1,657,251
Issue of share										
– exercise of share option	13,295	16,340	–	–	–	–	–	29,635	–	29,635
– transfer from share based payments reserve	–	10,211	–	–	(10,211)	–	–	–	–	–
Exchange rate on translation of financial statements of overseas subsidiaries	–	–	–	–	–	22,264	–	22,264	–	22,264
Loss attributable to shareholders	–	–	–	–	–	–	(286,718)	(286,718)	–	(286,718)
At 30 September 2008	817,364	514,589	(267)	6,289	11,850	119,065	(46,458)	1,422,432	–	1,422,432

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

For the six months ended 30 September 2007

	Unaudited											
	Equity component of											
	Share-based convertible											
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	payments reserve HK\$'000	bonds reserve HK\$'000	Exchange reserve HK\$'000	Revaluation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2007	100,400	853,993	(243)	6,289	32,540	11,904	8,894	1,330	54,229	1,069,336	1,094	1,070,430
Issue of shares – exercise of warrants	–	1	–	–	–	–	–	–	–	1	–	1
Issue of shares – exercise of share option	1,800	11,484	–	–	–	–	–	–	–	13,284	–	13,284
Transfer from share-based payment reserve	–	3,508	–	–	(3,508)	–	–	–	–	–	–	–
Issue of shares – conversion of convertible bonds	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	673,602	(673,602)	–	–	–	–	–	–	–	–	–	–
Disposal of subsidiaries	–	–	(24)	–	–	–	–	(1,330)	–	(1,354)	(1,094)	(2,448)
Addition from an overseas subsidiary	–	–	3,742	–	–	–	–	–	–	3,742	–	3,742
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	7,914	–	–	7,914	–	7,914
Final dividend 2006/2007 declared	–	–	–	–	–	–	–	–	(12,349)	(12,349)	–	(12,349)
Profit attributable to shareholders	–	–	–	–	–	–	–	–	89,515	89,515	–	89,515
At 30 September 2007	785,869	451,692	3,475	6,289	29,032	–	16,808	–	131,395	1,424,560	–	1,424,560

Notes to Condensed Accounts

1. ORGANISATION

Uni-Bio Science Group Limited was incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in bioscience related business (with focus on the research, development and commercialization of biopharmaceutical products through recombinant DNA and other technologies). The packaging products, paper gifts items and promotional products business was disposed of in September 2007.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated financial statements are unaudited but have been reviewed by the Audit Committee of the Company.

The accounting policies adopted and the basis of preparation used in the preparation of the condensed consolidated financial statement of the Group are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2008 except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRS”, which also include HKASs and interpretations) that affect the Group and are adopted the first time for the current period’s financial statements.

- | | |
|-------------------------------------|---|
| • HKAS 39 & HKFRS 7
(Amendments) | Reclassification of financial assets |
| • HK(IFRIC) – INT 12 | Service concession arrangements |
| • HK(IFRIC) – INT 14 | HKAS 19 – The limit on a defined benefit asset,
minimum funding requirements and their interaction |

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

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

- | | |
|-------------------------------------|--|
| • HKFRSs (Amendments) | Improvements to HKFRSs ¹ |
| • HKAS 1 (Revised) | Presentation of financial statements ² |
| • HKAS 23 (Revised) | Borrowing costs ² |
| • HKAS 27 (Revised) | Consolidated and separate financial statements ³ |
| • HKAS 32 & 1
(Amendments) | Puttable financial instruments and obligations arising on
liquidation ² |
| • HKAS 39 (Amendment) | Eligible hedged items ³ |
| • HKFRS 1 & HKAS 27
(Amendments) | Cost of an investment in a subsidiary, jointly controlled
entity of associates ² |
| • HKFRS 2 (Amendment) | Vesting conditions and cancellations ² |
| • HKFRS 3 (Revised) | Business combinations ³ |
| • HKFRS 8 | Operating segments ² |
| • HK (IFRIC) – INT 13 | Customer loyalty programmes ⁴ |
| • HK (IFRIC) – INT 15 | Agreements for the construction of real estate ² |
| • HK (IFRIC) – INT 16 | Hedges of a net investment in a foreign operation ⁵ |

- ¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
- ² Effective for financial period commencing on or after 1 January 2009
- ³ Effective for financial period commencing on or after 1 July 2009
- ⁴ Effective for financial period commencing on or after 1 July 2008
- ⁵ Effective for financial period commencing on or after 1 October 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 reporting period beginning on or after 1 July 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 of the Company (the "Director") are in the process of assessing the potential impact and so far concluded that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Primary reporting format – business segments

An analysis of the Group's by business segments is as follows:

	Unaudited Six months ended 30 September 2008			
	Distribution of third party pharmaceutical products <i>HK\$'000</i>	In-house chemical pharmaceutical products <i>HK\$'000</i>	In-house biological pharmaceutical products <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	184,129	38,659	134,711	357,499
Segment results	73,642	26,621	120,695	220,958
Other revenue				134
Distribution costs				(61,757)
Administrative expenses				(104,508)
Impairment loss of trade receivables				(20,123)
Impairment loss of goodwill				(193,626)
Impairment loss of other receivables, deposits and prepayments				(102,840)
Operating loss				(261,762)
Finance costs				(311)
Loss before income tax				(262,073)
Income tax				(24,645)
Loss for the period				(286,718)

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

Unaudited Six months ended 30 September 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	Subtotal HK\$'000	Packaging products, paper gifts items and promotional products business HK\$'000	Group HK\$'000
Turnover	284,846	51,452	22,882	359,180	62,570	421,750
Segment results	141,204	40,885	22,012	204,101	17,540	221,641
Other revenue				1,367	2,083	3,450
Distribution costs				(15,590)	–	(15,590)
Administrative expenses				(39,904)	(10,190)	(50,094)
Impairment loss of inventories				–	(1,950)	(1,950)
Operating profit				149,974	7,483	157,457
Finance costs				(1,958)	(4,005)	(5,963)
Profit before income tax				148,016	3,478	151,494
Income tax				(61,979)	–	(61,979)
Profit for the period				86,037	3,478	89,515

There are no sales or other transactions between the business segments. Unallocated costs represent corporate expenses.

Secondary reporting format – geographical segments

For the six months ended 30 September 2008 (unaudited)

	Turnover			Segment results			Total assets		
	Continuing operations	Discontinued operations	Consolidated	Continuing operations	Discontinued operations	Consolidated	Continuing operations	Discontinued operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	–	–	–	–	–	–	48,783	–	48,783
PRC	357,361	–	357,361	220,834	–	220,834	1,505,546	–	1,505,546
Other countries	138	–	138	124	–	124	–	–	–
	<u>357,499</u>	<u>–</u>	<u>357,499</u>	<u>220,958</u>	<u>–</u>	<u>220,958</u>	<u>1,554,329</u>	<u>–</u>	<u>1,554,329</u>
Unallocated income				134	–	134			
Unallocated costs				(166,265)	–	(166,265)			
				<u>54,827</u>	<u>–</u>	<u>54,827</u>			
Finance costs				(311)	–	(311)			
Impairment loss of trade receivables				(20,123)	–	(20,123)			
Impairment loss of goodwill				(193,626)	–	(193,626)			
Impairment loss of other receivables, deposits and prepayments				(102,840)	–	(102,840)			
Loss before income tax				(262,073)	–	(262,073)			
Income tax				(24,645)	–	(24,645)			
Loss for the period				<u>(286,718)</u>	<u>–</u>	<u>(286,718)</u>			

For the six months ended 30 September 2007 (unaudited)

	Turnover			Segment results			Total assets		
	Continuing operations	Discontinued operations	Consolidated	Continuing operations	Discontinued operations	Consolidated	Continuing operations	Discontinued operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	–	42,084	42,084	–	11,471	11,471	15,522	–	15,522
PRC	359,180	17,985	377,165	204,101	5,443	209,544	1,584,583	–	1,584,583
Other countries	–	2,501	2,501	–	626	626	–	–	–
	<u>359,180</u>	<u>62,570</u>	<u>421,750</u>	<u>204,101</u>	<u>17,540</u>	<u>221,641</u>	<u>1,600,105</u>	<u>–</u>	<u>1,600,105</u>
Unallocated income				1,367	460	1,827			
Unallocated costs				(55,494)	(10,190)	(65,684)			
				<u>(1,958)</u>	<u>(4,005)</u>	<u>(5,963)</u>			
Finance costs									
Gain on disposal of discontinued operations				–	1,623	1,623			
Impairment loss of inventories				–	(1,950)	(1,950)			
Profit before income tax				148,016	3,478	151,494			
Income tax				(61,979)	–	(61,979)			
Profit for the period				<u>86,037</u>	<u>3,478</u>	<u>89,515</u>			

4. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period is stated after the following:

	Unaudited Six months ended 30 September					
	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
After charging:						
Cost of inventories sold	136,541	155,079	–	45,030	136,541	200,109
Depreciation of fixed assets						
– owned assets	16,770	15,235	–	2,497	16,770	17,732
– assets held under finance leases	–	–	–	1,569	–	1,569
Impairment loss of inventories	–	–	–	1,950	–	1,950
Impairment loss of trade receivables	20,123	–	–	–	20,123	–
Impairment loss of goodwill	193,626	–	–	–	193,626	–
Impairment loss of other receivables, deposits and prepayments	102,840	–	–	–	102,840	–

5. STAFF COSTS

	Unaudited Six months ended 30 September					
	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wages	9,841	5,630	–	2,123	9,841	7,753
Pension costs – defined contribution plans	48	56	–	69	48	125
	<u>9,889</u>	<u>5,686</u>	<u>–</u>	<u>2,192</u>	<u>9,889</u>	<u>7,878</u>

6. INCOME TAX

The amount of taxation charged to the condensed profit and loss account represents:

	Unaudited Six months ended 30 September					
	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	–	–	–	–	–	–
Taxation in other jurisdictions	24,645	61,979	–	–	24,645	61,979
Deferred taxation	–	–	–	–	–	–
	<u>24,645</u>	<u>61,979</u>	<u>–</u>	<u>–</u>	<u>24,645</u>	<u>61,979</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the six months ended 30 September 2008. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

7. DISCONTINUED OPERATIONS

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

An analysis of the results is set out in note 3. The cash flows of the discontinued operations included in the condensed consolidated cash flow statement is as follows:

	Unaudited Six months ended 30 September 2007 HK\$'000
Cash flow from discontinued operations	
Net cash generated from operating activities	10,958
Net cash used in investing activities	(26)
Net cash used in financing activities	(7,104)
Net cash flows	<u>3,828</u>

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

	Unaudited 30 September 2007 <i>HK\$'000</i>
Net assets disposed of	36,417
Capital reserve released	(24)
Revaluation reserve released	(1,330)
Minority interests released	(1,094)
	<u>33,969</u>
Gain on disposal	<u>1,623</u>
Total consideration	<u><u>35,592</u></u>
Satisfied by:	
Cash	36,000
Expenses incurred	(408)
	<u><u>35,592</u></u>
Net cash inflow arising on disposal:	
Net cash consideration	35,592
Bank overdrafts disposed of	4,773
	<u><u>40,365</u></u>

8. (LOSS)/EARNINGS PER SHARE

(i) From continuing and discontinued operations

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

	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
(Loss)/profit:		
(Loss)/profit for the period attributable to equity holders of the Company for the purpose of basic and diluted (loss)/earnings per share	(286,718)	89,515
	2008	2007
	<i>(Note)</i>	<i>(Note)</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	8,125,081,577	7,372,217,188
Effect of dilutive potential ordinary shares		
– Share options	21,392,000	261,197,566
– Warrants	–	11,887,460
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	8,146,473,577	7,645,302,214

(ii) From continuing operations

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

	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
(Loss)/profit:		
(Loss)/profit for the period attributable to equity holders of the Company	(286,718)	89,515
Less: Loss for the period from discontinued operations attributable to equity holders of the Company	—	(3,478)
	<u> </u>	<u> </u>
(Loss)/profit for the purpose for calculating basic and diluted (loss)/earnings per share from continuing operations	<u>(286,718)</u>	<u>86,037</u>
	2008	2007
	(Note)	(Note)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	8,125,081,577	7,372,217,188
Effect of dilutive potential ordinary shares		
– Share options	21,392,000	261,197,566
– Warrants	—	11,887,460
	<u> </u>	<u> </u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>8,146,473,577</u>	<u>7,645,302,214</u>

9. TRADE RECEIVABLES

The ageing analysis of trade receivables (net of provision for doubtful debts) is as follows:

	Unaudited 30 September 2008 <i>HK\$'000</i>	Audited 31 March 2008 <i>HK\$'000</i>
Within 30 days	63,031	73,289
31 – 60 days	39,267	45,983
61 – 90 days	22,352	39,278
Over 90 days	89,390	59,875
	214,040	218,425
Less: Provision for impairment of receivables	(29,515)	(9,392)
	184,525	209,033

Customers are generally granted with credit terms of 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.

10. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Unaudited 30 September 2008 <i>HK\$'000</i>	Audited 31 March 2008 <i>HK\$'000</i>
Current – 30 days	6,326	7,539
31 – 60 days	20,105	25,426
61 – 90 days	7,231	8,524
Over 90 days	6,199	7,099
	39,861	48,588

11. SHARE CAPITAL

	Number of shares '000	Par value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 1 April 2007	2,000,000	200,000
Increase in authorized capital (<i>Note a</i>)	48,000,000	4,800,000
Ordinary shares of HK\$0.10 each at 31 March 2008 and 30 September 2008	50,000,000	5,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 1 April 2007	1,004,000	100,400
Issue of shares upon conversion of convertible bonds on 25 June 2007 (<i>Note b</i>)	64,000	6,400
Issue of shares upon exercise of warrants (<i>Note c</i>)	1	1
Issue of shares upon exercise of options (<i>Note d</i>)	18,000	1,800
Issue of shares for the acquisition of subsidiaries (<i>Note e</i>)	36,670	3,667
Issue of bonus shares (<i>Note f</i>)	6,736,021	673,601
Issue of shares upon exercise of options (<i>Note g</i>)	182,000	18,200
At 31 March 2008, ordinary shares of HK\$0.10 each	8,040,692	804,069
Issue of shares upon exercise of options (<i>Note h</i>)	132,950	13,295
At 30 September 2008, ordinary shares of HK\$0.10 each	8,173,642	817,364

Note:

- (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 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.
- (c) During the year ended 31 March 2008, the Company allotted and issued 280 ordinary shares of HK\$0.1 each upon conversion of warrants at an exercise price of HK\$5.00 per share.
- (d) On 23 July 2007, the Company allotted and issued 18,000,000 ordinary shares of HK\$0.10 each upon exercise of options at a subscription price of HK\$0.738 per share.
- (e) 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.
- (f) 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.
- (g) 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.
- (h) During the six months ended 30 September 2008, the Company allotted and issued 132,950,000 ordinary shares of HK\$0.10 each upon exercise of options at a subscription price of HK\$0.2229 per share.
- (i) All new shares issued during the year ended 31 March 2008 and for the six months ended 30 September 2008 rank pari passu with the existing shares in all material respects.

12. 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.

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.

Details of the share option movements during the period ended 30 September 2008 under the 2001 Scheme and 2006 Scheme are as follows:

	Number of share options				Exercise price HK\$	Date of grant	Exercise period	Remaining contractual life
	Outstanding at 1 April 2008 '000	Granted during the period '000	Exercised during the period '000	Lapsed during the period '000				
Employees	196,000	–	(132,950)	–	0.2229	19 June 2006	19 June 2006 to 21 October 2011	3.06 years
Employees	13,658	–	–	–	0.512	28 January 2008	28 January 2008 to 21 September 2016	7.98 years
Other	36,342	–	–	–	0.512	28 January 2008	28 January 2008 to 21 September 2016	7.98 years
	<u>246,000</u>	<u>–</u>	<u>(132,950)</u>	<u>–</u>				
	<u>246,000</u>	<u>–</u>	<u>(132,950)</u>	<u>–</u>				

13. WARRANTS

Movement of warrants for the period ended 30 September 2008 is set out below:

Amount of warrants outstanding	HK\$'000
Balance at 1 April 2008	867,999
Lapsed during the period	(867,999)
Balance at 30 September 2008	<u>–</u>

14. COMMITMENTS UNDER OPERATING LEASES

At 30 September 2008, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Within 1 year	1,465	763
After 1 year but within 5 years	1,101	2,057
	<u>2,566</u>	<u>2,820</u>

15. CAPITAL COMMITMENTS

At 30 September 2008, the Group had capital commitments in respect of purchase of plant and equipment, technical know how and renovation of HK\$12,607,000 (At 31 March 2008: HK\$29,684,000).

16. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period under review (For the six months ended 30 September 2007: Nil).

17. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth; and
- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

BUSINESS REVIEW AND PROSPECTS OF THE GROUP

During the fiscal year 2008/2009, the healthcare reform in the PRC continues and the PRC healthcare industry continues to grow. However, the Group continued to face challenges of surging material and operating costs, and increasing competition. The economic conditions have recently been deteriorating significantly in many countries and regions, including the PRC, and may remain depressed for prolonged periods. In order to tackle the prolonged turmoil noted in the financial market which has adversely affected, and is expected to continue to affect, the real economy, we have adopted a more prudent business and financial management policy to ensure that we maintain adequate working capital to finance our operations. The Group also decided to suspend the development of its chemical pharmaceutical products in pipeline and concentrate its resources in developing its pipeline of innovative biological pharmaceutical products which are more promising.

Because of the foregoing, impairment loss of trade receivables of HK\$20,123,000; impairment loss of goodwill of HK\$193,626,000; and impairment loss of other receivables, deposits and prepayments of HK\$102,840,000 were recognized as a result of re-assessment of the Group's assets portfolio as of 30 September 2008.

Despite these challenges, the Group has continuously strengthened its management team which has been committed to rationalizing and re-engineering its work flow and processes to reduce costs and increase efficiency. Moreover, the government of the PRC has recently announced an array of policies, including a loosening of credit restrictions and stimulation of domestic consumption to drive up the GDP growth. Although these new policies have not yet had a material impact on our operations, it may help to release certain negative impact on our operations in the future. In the long run, the Group is optimistic that the business opportunities in the pharmaceutical and healthcare industry in the PRC will remain buoyant given the increasing income and health awareness of the mainland population.

Distribution of pharmaceutical products

This division achieved a turnover for the period of HK\$184,129,000 with gross profit of HK\$73,642,000 for the six months ended 30 September 2008. The turnover and gross profit of corresponding period was HK\$284,846,000 and HK\$141,204,000 respectively. The decrease was mainly due to increasing competition and the Group exercised tighter credit control over customers. Sales of rhEGF products distributed for Shenzhen Watsin Genetech Company Limited (“**Shenzhen Watsin**”), acquired in August 2007, was also classified under “in-house biological pharmaceutical products” in the current fiscal period.

In-house biological pharmaceutical products

Upon the acquisition of Shenzhen Watsin, the sales of rhEGF products continued to grow and this division achieved a turnover of HK\$134,711,000 and a gross profit of HK\$120,695,000 for the six months ended 30 September 2008. The turnover and gross profit of corresponding period was HK\$22,882,000 and HK\$22,012,000 respectively.

In-house chemical pharmaceutical products

This division achieved a turnover for the period of HK\$38,659,000 with gross profit of HK\$26,621,000 for the six months ended 30 September 2008. The turnover and gross profit was HK\$51,452,000 and HK\$40,885,000 respectively for the corresponding period. The decrease was mainly due to increase in competition and the Group’s strategy to focus its marketing efforts on biological pharmaceutical products on sale and in pipeline which, the Group believe, are more promising.

Research Platforms

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

E.coli, Pichia Yeast and Mammalian cell expression system

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

E.coli constitutive secretion system

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

Gene therapy drug development system

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

Gene targeting system

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

Chemical medicines development system

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

Product Development

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

rExendin-4

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

rExendin-4 is a non-insulin antidiabetic treatment candidate that stimulates the incretin pathway (a distinct mechanism of action) which is drawing attention in the medical community and has received the approval from State Food and Drug Administration in the PRC (“SFDA”) for clinical trials. Phase I clinical trials started in July 2006 and completed in last financial year, Phase II clinical trials were also completed by the end of 2008. The Group is actively preparing for the commencement of Phase III clinical trials in early 2009.

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 candidate can be used for treatment of anemia associated with renal diseases, cancer related therapies or surgical blood loss. EPO is currently commercialized by several pharmaceutical companies for a worldwide market that exceeds USD12 billion, and the EPO market is growing at an average annual rate of 21%.

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

cTP-5 (previously known as rTP-5)

rTP-5 has been converted to cTP-5 as a class I chemical drug candidate for the treatment of chronic hepatitis B. It is well known that hepatitis is an epidemic in the PRC, especially hepatitis B. The global statistics of patients that have chronic infections with hepatitis B is around 400 million. The chronically infected population in 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 candidate for the treatment of psoriasis. The current treatment for psoriasis is suppression – orientated, but LFA3-Fc offers a potential cure for psoriasis. This is currently in the early stages of pre-clinical trials.

rhIL-11

rhIL-11 is currently under Phase 3 clinical trials approved by the SFDA for the treatment of chemotherapy-induced thrombocytopenia and is expected to be launched by 2009.

rhIL-11 is a Class II prescription new drug candidate that stimulates human body to make platelets, which is a type of blood cell. It is suitable for patients who have received certain types of chemotherapy and is used to help prevent the number of platelets circulating in the blood from dropping to dangerously low level which can cause the patient to have difficulties in blood clotting.

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

rhPTH 1-34

Another bio-pharmaceutical candidate of the Group, namely rhPTH 1-34 (a Class II prescription new drug) has its Phase II clinical trial completed by the end of 2008. The Group is actively preparing for the commencement of Phase III clinical trial in early 2009. rhPTH 1-34 is a type of bone-active agent that primarily works by stimulating new bone formation on quiescent bone surface that is not simultaneously undergoing remodeling. It increases bone mass to a greater degree instead of just filling in the bone remodeling space.

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

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

INDEBTEDNESS OF THE GROUP**Borrowings**

At the close of business on 31 January 2009 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular), the Group had outstanding indebtedness of approximately HK\$10,000,000. The indebtedness comprised unsecured loan from a finance company, payable in 1 year and bearing interest at a fixed rate of 6% per annum.

Commitments

At the close of business on 31 January 2009 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular), the Group had outstanding capital commitments in respect of acquisition of technical know-how of approximately HK\$9,298,000; in respect of acquisition of property, plant and equipment of approximately HK\$1,281,000. At the close of business on 31 January 2009, the Group had outstanding commitments in respect of operating leases totaling approximately HK\$2,108,000.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital and overdrafts or other similar indebtedness, finance leases of hire purchase commitment, liabilities under acceptances (other than normal trade bills), or acceptance credits, or any guarantees or other material contingent liabilities at the close of business on 31 January 2009. As at the Latest Practicable Date, the Directors were not aware of any material change in respect of the indebtedness or other contingent liabilities of the Group since 31 January 2009. Foreign currency amounts have been, for the purpose of the above indebtedness statement, translated into Hong Kong dollars at the applicable rates of exchange as at the close of business on 31 January 2009.

WORKING CAPITAL STATEMENT

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the proceeds from the Open Offer and the financial resources available to the Group (including internally generated funds, existing bank financing and other borrowing facilities) and in the absence of unforeseen circumstances, the Group will have sufficient working capital for at least 12 months from the Latest Practicable Date.

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

For illustrative purposes only, the pro forma statement which has been prepared in accordance with paragraph 4.29 of the Listing Rules is set out here to provide the investors with further information on how the Open Offer might have affected the financial position of the Group. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the actual financial position of the Group after the completion of the Open Offer.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the published interim condensed consolidated balance sheet of the Group as at 30 September 2008, after giving effect to the pro forma adjustments of the Open Offer that are (i) directly attributable to the transaction; and (ii) factually supportable, are summarised in the accompanying notes.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is based on a number of assumptions, estimates and uncertainties. The accompanying unaudited pro forma statement of adjusted consolidated net tangible assets of the Group does not purport to describe the actual financial position of the Group that would have been attained had the Open Offer been completed on 30 September 2008. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group does not purport to predict the future financial position of the Group.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group pursuant to the Open Offer:

	Unaudited consolidated net assets of the Group attributable to the equity holders of the Company as at 30 September 2008 (before the Open Offer) HK\$'000	Less: Intangible assets HK\$'000	Less: Goodwill HK\$'000	Unaudited adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 September 2008 (before the Open Offer) (Note 2) HK\$'000	Estimated net proceeds from the Open Offer (Note 3) HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 September 2008 after completion of the Open Offer HK\$'000
Based on maximum number of Offer Shares and Bonus Shares to be issued (Note 1a)	1,422,432	(343,304)	(379,926)	699,202	143,800	843,002
Based on minimum number of Offer Shares and Bonus Shares to be issued (Note 1b)	1,422,432	(343,304)	(379,926)	699,202	141,900	841,102
Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company as at 30 September 2008 prior to the completion of the Open Offer (Note 4)						HK\$0.08554
Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company as at 30 September 2008 upon completion of the Open Offer (Based on maximum number of Offer Shares and Bonus Shares to be issued) (Note 5)						HK\$0.06701
Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company as at 30 September 2008 upon completion of the Open Offer (Based on minimum number of Offer Shares and Bonus Shares to be issued) (Note 6)						HK\$0.06716

Notes:

- (1) The number of Offer Shares which may be issued pursuant to the Open Offer will be increased in proportion to any additional Shares which may be allotted and issued pursuant to the exercise of the Outstanding Options on or before the Record Date. As at the date of this circular, there were Outstanding Options attaching subscription right to subscribe for 113,050,000 Shares.
 - (a) The maximum number of Offer Shares and Bonus Shares to be issued would take place in case all of the Outstanding Options attaching subscription right are fully exercised to subscribe for 113,050,000 Shares on or before completion of the Record Date.
 - (b) The minimum number of Offer Shares and Bonus Shares to be issued would take place in case no outstanding options attaching subscription right are exercised to subscribe for any Shares on or before the Record Date.
- (2) The unaudited adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 September 2008 is based on the unaudited consolidated net assets of the Group attributable to the Company's equity holders as at 30 September 2008 of approximately HK\$1,422,432,000, as extracted from the published interim report of the Company for the six months ended 30 September 2008 as set out in Appendix 1 to the Circular, with an adjustment for the intangible assets and goodwill as at 30 September 2008 of approximately HK\$343,304,000 and HK\$379,926,000 respectively.
- (3) The estimated net proceeds from the Open Offer of approximately HK\$143,800,000 (based on maximum number of Offer Shares and Bonus Shares to be issued if all Outstanding Options are exercised on or before the Record Date) or approximately HK\$141,900,000 (based on minimum number of Offer Shares and Bonus Shares to be issued if no Outstanding Options are exercised on or before the Record Date) are calculated based on 1,468,670,882 Offer Shares and 1,449,829,215 Offer Shares to be issued at the subscription price of HK\$0.1 per Offer Share and after deduction of estimated related expenses respectively.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company prior to the completion of the Open Offer is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group prior to the completion of the Open Offer of approximately HK\$699,202,000 divided by 8,173,641,960 Shares in issue as at 30 September 2008. The unaudited pro forma adjusted consolidated net tangible assets per Share has not taken into account the effect of 525,333,332 Shares issued subsequent to 30 September 2008 up to the Latest Practicable Date as set out in the Circular.
- (5) The unaudited pro forma adjusted consolidated net tangible assets per Share upon completion of the Open Offer is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group upon completion of the Open Offer of approximately HK\$843,002,000 divided by 12,579,654,606 Shares in issue upon completion of the Open Offer (based on the maximum number of Offer Shares and Bonus Shares to be issued). 12,579,654,606 Shares comprised of the existing 8,173,641,960 Shares in issue as at 30 September 2008, 1,468,670,882 Offer Shares and 2,937,341,764 Bonus Shares to be issued under the Open Offer.
- (6) The unaudited pro forma adjusted consolidated net tangible assets per Share upon completion of the Open Offer is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group upon completion of the Open Offer of approximately HK\$841,102,000 divided by 12,523,129,605 Shares in issue upon completion of the Open Offer (based on the minimum number of Offer Shares and Bonus Shares to be issued). 12,523,129,605 Shares comprised of the existing 8,173,641,960 Shares in issue as at 30 September 2008, 1,449,829,215 Offer Shares and 2,899,658,430 Bonus Shares to be issued under the Open Offer.

**II. LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA
STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP****HOPKINS CPA LIMITED**3/F Sun Hung Kai Centre
30 Harbour Road
Hong Kong

30 March 2009

The Directors
Uni-Bio Science Group Limited
Room 1502, 15th Floor
AXA Centre
151 Gloucester Road
Wan Chai, Hong Kong

Dear Sirs,

Uni-Bio Science Group Limited (the “Company”) and its subsidiaries (the “Group”)

We report on the unaudited pro forma financial information relating to adjusted consolidated net tangible assets of the Group (the “Unaudited Pro Forma NTA”) as set out in the Section headed “UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP” of Appendix II to the circular of the Company dated 30 March 2009 (the “Circular”) in connection with the open offer (the “Open Offer”) to qualifying shareholders on the basis of one offer share for every six existing shares held as at 20 April 2009 (the “Record Date”) with bonus issue on the basis of two bonus shares for every one offer share taken up under the Open Offer. The Unaudited Pro Forma NTA is unaudited and has been prepared by the directors of the Company, solely for illustrative purposes, to provide information to the shareholders of the Company about how the Open Offer might affect the consolidated net tangible assets of the Group after the completion of the Open Offer.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma NTA in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma NTA and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma NTA beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standards on Investment Circular Reporting Engagements (HKSIR) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the unaudited evidence supporting the adjustments and discussing the Unaudited Pro Forma NTA with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma NTA has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma NTA as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma NTA is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2008 had the Open Offer actually been completed on that date or any future date.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma NTA has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma NTA as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Hopkins CPA Limited

Certified Public Accountants

Albert Man-Sum Lam

Practising certificate number – P02080

Hong Kong

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL AND OPTIONS

(a) Share capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date were, and (ii) immediately following completion of the Open Offer and the Bonus Issue (assuming (i) no Outstanding Options are exercised on or before the Record Date and (ii) all Outstanding Options are exercised on or before the Record Date) will be, as follows:

(i) As at the Latest Practicable Date

<i>Authorised share capital:</i>	<i>HK\$</i>
50,000,000,000 Shares	5,000,000,000
<i>Issued and fully paid share capital or credited as fully paid:</i>	
8,698,975,292 Shares	869,897,529.20

(ii) *Upon completion of the Open Offer and the Bonus Issue*

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>50,000,000,000 Shares</u>		<u>5,000,000,000</u>
<i>Issued and fully paid share capital or credited as fully paid:</i>		
<u>8,698,975,292 Shares</u>	Shares in issue as at the Latest Practicable Date	<u>869,897,529.20</u>
<u>4,349,487,645 Shares</u>	Offer Shares and Bonus Shares to be issued pursuant to the Open Offer and the Bonus Issue (assuming no Outstanding Options are exercised on or before the Record Date)	<u>434,948,764.50</u>
<u>13,048,462,937 Shares</u>	Shares in issue upon completion of the Open Offer and the Bonus Issue (assuming no Outstanding Options are exercised on or before the Record Date)	<u>1,304,846,293.70</u>
<u>4,406,012,646 Shares</u>	Offer Shares and Bonus Shares to be issued pursuant to the Open Offer and the Bonus Issue (assuming all Outstanding Options are exercised on or before the Record Date)	<u>440,601,264.60</u>
<u>13,218,037,938 Shares</u>	Shares in issue upon completion of the Open Offer and the Bonus Issue (assuming all Outstanding Options are exercised on or before the Record Date)	<u>1,321,803,793.80</u>

The issued Shares are listed on the Stock Exchange. All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Offer Shares and the Bonus Shares to be allotted and issued will, when issued and fully paid or credited as fully paid, rank pari passu in all respects with the existing Shares in issue on the date of their allotment in fully-paid form.

There is no arrangement under which future dividends are/will be waived or agreed to be waived.

As at the Latest Practicable Date, no share or loan capital of the Company or any members of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted, except for the Offer Shares, the Bonus Shares and the Shares to be allotted and issued upon exercise of the Outstanding Options to subscribe for up to 113,050,000 Shares.

Upon the Open Offer with Bonus Issue becoming unconditional, the exercise price of and/or the number of Shares comprised in the Outstanding Options may be subject to adjustments.

There has been no alternation to the authorised and issued share capital of the Company since the end of the last financial year of the Company, being 31 March 2008, up to the Latest Practicable Date, other than on:

- (i) 1 December 2008, the Company allotted and issued an aggregate of 525,333,332 new Shares for the capitalisation of certain debts due and owing from certain PRC subsidiaries of the Company and incurred during their usual course of business in the aggregate amount of RMB69,344,000 (equivalent to approximately HK\$78,800,000) as announced by the Company in its announcement dated 24 November 2008;
- (ii) on 18 March 2009, the Company announced a proposal to effect a reorganisation of the capital of the Company (the “**Capital Reorganisation**”) by way of (a) a consolidation (the “**Consolidation**”) of every 10 issued and unissued Shares into one consolidated share of HK\$1.00 (each a “**Consolidated Share**”), (b) a reduction (the “**Capital Reduction**”) of the share capital of the Company by cancelling the issued and paid-up share capital to the extent of HK\$0.99 on each of the Consolidated Shares and thereby reducing the nominal value of all the issued Shares from HK\$1.00 each to HK\$0.01 each; and (c) following the Consolidation and the Capital Reduction, the diminution and subsequent increase (the “**Diminution and Increase**”) in the authorised share capital of the Company to HK\$5,000,000,000 by the creation of 500,000,000,000 new shares of HK\$0.01 each, which is yet to be implemented as at the Latest Practicable Date.

The Consolidation, the Capital Reduction and the Diminution and Increase are inter-conditional with each other and the implementation of the Capital Reorganisation is conditional upon a number of conditions being fulfilled. As advised by the legal advisers to the Company on the laws of the Cayman Islands and subject to the availability of the Grand Court of the Cayman Islands, it may take between four to six months to complete the proposed Capital Reorganisation. Accordingly, the Capital Reorganisation, if implemented, is expected to take place after the completion (if materialized) of the Open Offer with Bonus Issue.

(b) Share options

As at the Latest Practicable Date, there were Outstanding Options attaching subscription rights to subscribe for an aggregate of 113,050,000 Shares granted under the applicable rules of the Share Option Schemes at the exercise prices ranging from HK\$0.2229 to HK\$0.512, of which (i) subscription rights to subscribe for 63,050,000 Shares (which are exercisable during the period from 19 June 2006 to 21 October 2011) were granted under the Terminated Scheme and (ii) subscription rights to subscribe for 50,000,000 Shares (which are exercisable during the period from 28 January 2008 to 21 September 2016) were granted under the Existing Scheme.

(c) Convertible securities

As at the Latest Practicable Date and save for the Outstanding Options, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares or outstanding debt securities in issue.

The Company had no outstanding convertible debt securities in issue as at the Latest Practicable Date.

Save as disclosed above, the Company did not have any other options, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

Directors' interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares in or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed in this circular pursuant to the requirements of the Takeovers Code, were as follows:

(a) Interests in Shares

Name of Director (Note 1)	Number of Shares (Note 1)	Capacity (Note 1)	Approximate percentage of shareholding (Note 2)
Tong Kit Shing	2,454,407,736	Interest of a controlled corporation	28.21%
Liu Guoyao	2,454,407,736	Interest of a controlled corporation	

(1) These 2,454,407,736 Shares are held by Automatic Result, a company incorporated in the British Virgin Islands whose entire issued share capital is solely and beneficially owned by Mr Tong Kit Shing whereas Mr Liu Guoyao is the sole director of Automatic Result. Accordingly, Mr Tong and Mr Liu are, by virtue of Part XV of the SFO, deemed to be interested in all the Shares and underlying Shares in which Automatic Result is interested.

(2) The percentage of shareholding is calculated on the basis of 8,698,975,292 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed in this circular pursuant to the requirements of the Takeovers Code.

4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder (Note 1)	Nature of interest	Number of Shares	Approximate percentage of shareholding (Note 2)
---------------------------------	--------------------	------------------	--

Automatic Result	Beneficial owner	2,454,407,736	28.21%
------------------	------------------	---------------	--------

- (1) Automatic Result is a company incorporated in the British Virgin Islands whose entire issued share capital is solely and beneficially owned by Mr Tong Kit Shing whereas Mr Liu Guoyao is the sole director of Automatic Result.
- (2) The percentage of shareholding is calculated on the basis of 8,698,975,292 Shares in issue as at the Latest Practicable Date.

Save as disclosed herein, there is no person (not being a Director or chief executive of the Company) known to the Directors or chief executive of the Company, who, as at the Latest Practicable Date, had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

Save as the Underwriting Agreement (whereby Mr Tong Kit Shing, the chairman and an executive director of the Company, is holding the entire issued share capital of the Underwriter and Mr Liu Guoyao is the sole director of the Underwriter), none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the businesses of the Group.

None of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2008, being the date to which the latest published audited consolidated accounts of the Group were made up.

None of the Directors was or will be given any compensation for loss of office or otherwise in connection with the Underwriting Agreement and/or the Whitewash Waiver.

As at the Latest Practicable Date and save as the Underwriting Agreement (whereby Mr Tong Kit Shing, the chairman and an executive director of the Company, is holding the entire issued share capital of the Underwriter and Mr Liu Guoyao is the sole director of the Underwriter), none of the Directors had a material personal interest in any material contract entered into by Automatic Result.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates has any interests in any business which may compete with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling Shareholder).

7. MATERIAL CHANGE

Save as those disclosed in the interim report of the Company as at 30 September 2008 including (i) the decrease in the turnover of the Group; (ii) the increase in the impairment loss of trade receivables, impairment loss of goodwill and impairment loss of other receivables, deposits and prepayments of the Group and (iii) the increase in distribution costs and administrative expenses, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2008, being the date to which the latest audited consolidated financial statements of the Group were made up.

8. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by the Company or its subsidiaries during the period commencing two years preceding the date of the Announcement and up to the Latest Practicable Date and are or may be material:

- (a) the Underwriting Agreement;
- (b) the acquisition agreement dated 23 July 2007 between (i) Lelion Holdings Limited (a wholly-owned subsidiary of the Company) (“**Lelion**”) and (ii) Lau Judy and Choi Woon Man (the “**Sellers**”) regarding the acquisition by Lelion from the Sellers of the entire issued share capital of Zethanel Properties Limited at the consideration of HK\$366,685,000 (which was satisfied partly in cash in the amount of HK\$165,000,000 and partly by the allotment and issue of an aggregate of 36,670,000 new Shares, credited as fully paid, to the Sellers at an issue price of HK\$5.50 each for the aggregate amount of HK\$201,685,000) which acquisition was completed on 22 August 2007;
- (c) the disposal agreement dated 19 September 2007 between (i) the Company and (ii) Datasino Group Limited (“**Datasino**”) regarding the disposal by the Company to Datasino of the entire issued share capital of New Master Group Limited (“**New Master**”, together with its subsidiaries, the “**New Master Group**”) and all the loans due from the New Master Group to the Company at the total consideration of HK\$36,000,000 which disposal was completed on 30 September 2007;
- (d) the deed of capitalisation dated 24 November 2008 between (i) the Company, (ii) Liang Shengyuan (“**Liang**”) and (iii) Smart Focus Group Limited (“**Smart Focus**”) regarding the capitalisation of the debt in the amount of RMB15,678,000 (equivalent to approximately HK\$17,815,909.10) due and owing from 北京博康健基因科技有限公司 (Beijing Genetech Pharmaceutical Co., Ltd.) (an indirect, wholly owned subsidiary of the Company in the PRC) to Liang which debt was settled and capitalised by the allotment and issue of an aggregate of 118,772,727 new Shares to Smart Focus at the direction of Liang on 1 December 2008;

- (e) the deed of capitalisation dated 24 November 2008 between (i) the Company, (ii) Rao Yaoming (“**Rao**”) and (iii) Modern Castle Limited (“**Modern Castle**”) regarding the capitalisation of the debt in the amount of RMB22,245,000 (equivalent to approximately HK\$25,278,409.10) due and owing from Dongguan Taili Biotech Co., Ltd. (东莞太力生物工程有限公司) (an indirect, wholly owned subsidiary of the Company in the PRC) to Rao which debt was settled and capitalised by the allotment and issue of an aggregate of 168,522,727 new Shares to Modern Castle at the direction of Rao on 1 December 2008; and
- (f) the deed of capitalisation dated 24 November 2008 between (i) the Company, (ii) Liu Boxiang (“**Liu**”) and (iii) Eastern Star Development Limited (“**Eastern Star**”) regarding the capitalisation of the debt in the amount of RMB31,421,000 (equivalent to approximately HK\$35,705,681.80) due and owing from 东莞市博康健医药科技有限公司 (translated as Dongguan Shi Bo Kang Jian Pharmaceutical Technology Co., Ltd. for identification purpose only) (an indirect, wholly owned subsidiary of the Company in the PRC) to Liu which debt was settled and capitalised by the allotment and issue of an aggregate of 238,037,878 new Shares to Eastern Star at the direction of Liu on 1 December 2008.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group or to which the Company or any of its subsidiaries was, or might become, a party.

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose statements have been included in this circular:

AMS	a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
-----	---

Hopkins CPA Limited	Certified public accountants
---------------------	------------------------------

AMS and Hopkins CPA Limited have given, and have not withdrawn, their written consents to the issue of this circular with the inclusion herein of their letters or references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of AMS and Hopkins CPA Limited had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

None of AMS and Hopkins CPA Limited have any direct or indirect interests in any assets which have been, since 31 March 2008 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of AMS and Hopkins CPA Limited were materially interested, directly or indirectly, in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

11. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Announcement; (ii) are continuous contracts with a notice period of 12 months or more; (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (iv) are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

12. SECRETARY AND QUALIFIED ACCOUNTANT OF THE COMPANY

The secretary and the qualified accountant of the Company is Mr Goldman Lee, who is member of Hong Kong Institute of Certified Public Accountants (HKICPA) since 1990.

13. SHAREHOLDINGS AND DEALINGS

- (a) As at the Latest Practicable Date, the Company did not own or had any interest in any shares or other securities or other convertible securities, warrants, options and derivatives in respect of shares of the Underwriter or has dealt for value in any shares or other convertible securities, warrants, options and derivatives in respect of shares of the Underwriter during the period beginning six months prior to 9 March 2009 (being the date of the Announcement) and ending on the Latest Practicable Date.
- (b) Save (i) as disclosed in the section headed “3. Disclosure of Interests by Directors” and “4. Disclosure of interests by substantial Shareholders” in this appendix and (ii) the fact that Mr Tong Kit Shing is the sole shareholder of the Underwriter, none of the Directors owned or had any interest in any Shares or other convertible securities, warrants, options and derivatives in respect of shares of the Company and/or the Underwriter as the Latest Practicable Date nor had any of the Directors dealt for value in any Shares or other convertible securities, warrants, options and derivatives in respect of shares of the Company and/or any shares or other convertible securities, warrants, options and derivatives in respect of shares of the Underwriter during the period beginning six months prior to 9 March 2009 (being the date of the Announcement) and ending on the Latest Practicable Date.
- (c) None of the advisers to the Company as specified in class (2) of the definition of associate in the Takeovers Code owned or had any interest in any Shares or other convertible securities, warrants, options and derivatives in respect of shares of the Company as at the Latest Practicable Date nor had any of them dealt for value in any Shares or other securities of the Company during the period beginning six months prior to 9 March 2009 (being the date of the Announcement) and ending on the Latest Practicable Date.

- (d) None of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of any of its subsidiaries nor (iii) any adviser to the Company (as specified in class (2) of the definition of “associate” under the Takeovers Code), had any interest in the Company and/or had dealt in the securities of the Company during the period beginning six months prior to 9 March 2009 (being the date of the Announcement) and ending on the Latest Practicable Date.
- (e) No fund managed on a discretionary basis by fund managers connected with the Company had any interest in any Shares or other securities or other convertible securities, warrants, options and derivatives in respect of shares of the Company as at the Latest Practicable Date nor had any of them dealt for value in any Shares or other convertible securities, warrants, options and derivatives in respect of shares of the Company during the period beginning six months prior to 9 March 2009 (being the date of the Announcement) and ending on the Latest Practicable Date.
- (f) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with (aa) the Company; or (bb) any person who is associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code; or (cc) the Underwriter or any person acting in concert with it.
- (g) The Underwriter and parties acting in concert with it will abstain from voting on the ordinary resolutions approving the Open Offer with Bonus Issue and the Whitewash Waiver. Save for Mr Tong and Mr Liu who are interested in the Underwriting Agreement and the Whitewash Waiver and/or a party acting in concert with the Underwriter as disclosed in this circular, none of the Directors held or controlled or had any interest in any Shares as at the Latest Practicable Date or entitle to vote for the Open Offer with Bonus Issue and/or the Whitewash Waiver at the EGM.
- (h) Save for the 2,454,407,736 Shares (representing approximately 28.21% of the existing issued share capital of the Company) held by the Underwriter and parties acting in concert with it, none of the Underwriter or the sole director of the Underwriter and parties acting in concert with it (including any directors of any parties acting in concert with the Underwriter which are entities) were interested in or owned or controlled any Shares or other convertible securities, warrants, options and derivatives in respect of shares of the Company as at the Latest Practicable Date. None of the Underwriter and directors of the Underwriters and parties acting in concert with is had dealt for value in any Shares or other convertible securities, warrants, options and derivatives in respect of shares of the Company during the period beginning six months prior to 9 March 2009 (being the date of the Announcement) and ending on the Latest Practicable Date.
- (i) As at the Latest Practicable Date, as far as the Directors are aware, none of the Independent Shareholders to the Open Offer with Bonus Issue had irrevocably committed themselves to vote for or against the Open Offer with Bonus Issue and/or the Whitewash Waiver.
- (j) As at the Latest Practicable Date, save for the Underwriting Agreement, no agreement, arrangement or understanding (including any compensation arrangement) existed between the Underwriter or any person acting in concert with it and any of the directors, recent directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the Underwriting Agreement and/or the Whitewash Waiver.

- (k) As at the Latest Practicable Date, there was no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the Underwriting Agreement or the Whitewash Waiver or otherwise connected with the Underwriting Agreement and/or the Whitewash Waiver.
- (l) As at the Latest Practicable Date, any Offer Shares and/or the Bonus Shares acquired by the Underwriter and parties acting in concert with it in pursuance of the Underwriting Agreement were not intended to be transferred, charged or pledged to any other persons.
- (m) As at the Latest Practicable Date, no arrangement of any kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Underwriter and/or parties acting in concert with any of them, and other person.
- (n) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.
- (o) As at the Latest Practicable Date, no Shares have been borrowed or lent by (i) the Underwriter and/or parties acting in concert with any of them or (ii) the Company and the Directors.
- (p) As at the Latest Practicable Date, no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve (i) the Open Offer with Bonus Issue and (ii) the Whitewash Waiver.

14. MARKET PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the last day on which dealings took place in each of the six months immediately preceding the date of the Announcement; (ii) the last Business Day immediately preceding the date of the Announcement (being 6 March 2009) (iii) the Last Trading Day (being 9 March 2009); and (iv) the Latest Practicable Date.

Date	Closing price (HK\$)
30 September 2008	0.1840
31 October 2008	0.0470
28 November 2008	0.0410
31 December 2008	0.0500
30 January 2009	0.0400
27 February 2009	0.0560
6 March 2009	0.0550
9 March 2009 (being the Last Trading Day)	0.0560
27 March 2009 (being the Latest Practicable Day)	0.0480

The highest and lowest closing prices of the Shares as recorded on the Stock Exchange during the period commencing on 9 September 2008, being the date six months preceding the date of the Announcement dated 9 March 2009 and ending on the Latest Practicable Date were HK\$0.1840 on 30 September 2008 and HK\$0.0380 on 24 November 2008 respectively.

15. CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 GT Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Room 1502, 15/F., AXA Centre No. 151 Gloucester Road Wanchai, Hong Kong
Company secretary	Mr Goldman Lee <i>CPA</i>
Qualified accountant	Mr Goldman Lee <i>CPA</i>
Authorised representatives	Mr Tong Kit Shing Mr Liu Guoyao
Auditors	Hopkins CPA Limited Certified Public Accountants 3/F., Sun Hung Kai Centre, 30 Harbour Road Hong Kong
Legal adviser to the Company as to Hong Kong law	Chiu & Partners 41st Floor, Jardine House 1 Connaught Place Hong Kong
Independent financial adviser to the Independent Board Committee	AMS Capital Limited Room 201, 2nd Floor 135 Bonham Strand Trade Centre 135 Bonham Strand Sheung Wan, 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 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong

Automatic Result	<i>Registered Office</i> P.O. Box 957 Offshore Incorporations Centre Road Town, Tortola British Virgin Islands <i>Correspondence address in Hong Kong</i> Room 1502, 15/F., AXA Centre No. 151 Gloucester Road Wanchai, Hong Kong
Sole shareholder of Automatic Result	Mr Tong Kit Shing Room 1502, 15/F., AXA Centre 151 Gloucester Road Wanchai, Hong Kong
Sole director (Manager) of Automatic Result	Mr Liu Guoyao Room 1502, 15/F., AXA Centre 151 Gloucester Road Wanchai, Hong Kong
Principal bankers	Bank of Communications Co., Ltd., Hong Kong Branch 20 Pedder Street Central, Hong Kong Fubon Bank (Hong Kong) Limited 38 Des Voeux Road Central Hong Kong

16. EXPENSES

The expenses in connection with the Open Offer with Bonus Issue, including financial, legal and other professional advisory fees, printing and translation expenses are estimated to be approximately HK\$2.5 million and will be payable by the Company (which is exclusive of the underwriting commission of approximately HK\$0.5 million payable by the Company to the Underwriter).

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 10:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the principal place of business of the Company in Hong Kong at Room 1502, 15/F., AXA Centre, No. 151 Gloucester Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) this circular;
- (b) the memorandum of association of the Company and the Articles of Association;

- (c) the annual report of the Company for each of the two financial years ended 31 March 2008;
- (d) the interim report of the Company for the six months' period ended 30 September 2008;
- (e) the material contracts referred to under the paragraph headed "Material Contracts" in this appendix;
- (f) the letter from the Independent Board Committee, the texts of which are set out on pages 26 to 27 of this circular;
- (g) the letter signed by Hopkins CPA Limited setting out their opinion on the unaudited pro forma financial information of the Group, the text of which is set out on pages II-4 to II-5 of this circular;
- (h) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 28 to 42 of this circular;
- (i) the written consents referred to under the section headed "Experts and Consents" in this appendix; and
- (j) a summary of the constitution of the Company and the Cayman Islands Company Law prepared by Conyers Dill and Pearman, the Company's special legal counsel on Cayman Islands law, the text of which is set out in appendix V to this circular.

The above documents (except this circular) will be uploaded at the website of the Securities and Futures Commission of Hong Kong at www.sfc.hk and the Company's website at <http://www.unibioscience.com> from the date of this circular up to (and including) the date of the EGM in accordance with Notes 1 and 2 to Rule 8 of the Takeovers Code.

EXECUTIVE DIRECTORS

TONG Kit Shing, aged 47, has been appointed as the chairman of the Company and an executive Director since September 2005. The business address of Mr Tong is Room 1502, 15th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong. Mr Tong is responsible for the formulation of corporate strategy and the future direction of the Group, and the overall management of the Group. He had been engaged in metal trading business in the PRC since 1997 and has extensive investment experience in water treatment business in the PRC using biotechnology.

LIU Guoyao, aged 44, has been appointed as an executive Director since September 2005. The business address of Mr Liu is Room 1502, 15th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong. Mr Liu is responsible for the general management and marketing of the Group. Mr Liu is experienced in management and business administration in the PRC.

CHENG Wai Man, aged 48, has been appointed as an executive Director since September, 2005. The business address of Mr Cheng is Room 1502, 15th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong. Mr Cheng has extensive experience in corporate and marketing management in the printing industry and the trading of bio-chemical products.

INDEPENDENT NON-EXECUTIVE DIRECTORS

ZHOU Yaoming, aged 72, has been appointed as an independent non-executive Director since September 2005. The business address of Mr Zhou is Room 1502, 15th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong. Mr Zhou 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. He 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 the Singapore Exchange Securities Trading Limited.

LIN Jian, aged 72, has been appointed as an independent non-executive Director since September 2005. The business address of Mr Lin is Room 1502, 15th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong. Mr Lin is a professor in Biological Engineering at the Jinan University in Guangzhou, the PRC. Mr Lin 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 main board of the Stock Exchange.

SO Yin Wai, aged 46, has been appointed as an independent non-executive Director since September 2005. The business address of Mr So is Room 1502, 15th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong. Mr So graduated from the 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 in the 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 specialises 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 main board of the Stock Exchange.

CHIEF EXECUTIVE OFFICER

Dr. Samuel Zia, age 54, has been appointed as the chief executive office of the Company on 23 January 2007. The business address of Dr Zia is Room 1502, 15th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong. Dr Zia holds a doctorate degree in Medicine from the University of Southern California, the USA and a bachelor degree in Science (Biochemistry) from the University of California, the USA. Dr. Zia has strong analytical and management skills in areas of organization, negotiation and presentation. He has over 20 years' experience at management level in medical and healthcare fields. During his stay in the USA, Dr. Zia was concerned about the poor medical services received by the local Chinese elderly and was dedicated to offering help and improving medical treatment to the Chinese elderly. Dr. Zia was the founder, Chairman and the CEO of Allied Physicians IPA and Network Medical Management. He is also the founder, President and the CEO of GeriHome Corp dba Heritage Manor, a nursing home mainly for the care of Chinese elderly in the USA.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 February, 2001 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate, irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 22 October, 2001 (as amended pursuant to special resolutions passed by the members of the Company on 26 August, 2004 and 12 December, 2005). The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

The Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities of the Company, which warrants or convertible securities or securities of similar nature may be issued on such terms as the Board may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

**APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which a Director or his associate(s) is/are beneficially interested in the shares of that company other than a company in which the Director and any of his associate(s) is/are in aggregate beneficially interest in five (5) percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (vi) any proposal concerning the adoption, modification or operation of a share option scheme under which a Director or his associate(s) may be benefit, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

Notwithstanding any other provisions in the Articles or other terms on which any Director may be engaged, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three (3), then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director, including those appointed for specific term, shall be subject to retirement by rotation at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

**APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office until the next following annual general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board), and shall then be eligible for re-election at such meeting. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board whereupon the Board resolves to accept such resignation;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; and
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or share premium account or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Articles) or (before or on the declaration of the result of show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by: (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or (v) if required by the rules of the Designated Stock Exchange (as defined in the Articles), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the share of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Where any member is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of incorporation (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of incorporation, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting and the Company in general meeting may delegate the fixing of such remuneration to the Directors. The remuneration of any auditors appointed to fill any causal vacancy by the Board may be fixed by the Directors.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least 21 clear days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors; and
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. The Board may also determine that dividends be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

**APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20% per annum as the board determines.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50, at the registered office or such other place in the Cayman Islands at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 6 March, 2001.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, Cayman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in appendix III to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

NOTICE OF EGM



NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Uni-Bio Science Group Limited (the “**Company**”) will be held on Monday, 20 April 2009 at Room 1502, 15th Floor, AXA Centre, No. 151 Gloucester Road, Wanchai, Hong Kong at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions (with or without modifications) which will be proposed as ordinary resolutions of the Company:

1. “**THAT** subject to and conditional upon: (i) the passing of ordinary resolution numbered 2 as set out in the notice convening the Meeting; (ii) the Executive (as defined in the circular (the “**Circular**”) of the Company dated 30 March 2009) granting to the Underwriter (as defined in the Circular) and parties acting in concert with it the Whitewash Waiver (as defined in the Circular) and the satisfaction of any condition attached to the Whitewash Waiver (as defined in the Circular) imposed by the Executive; (iii) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Offer Shares and the Bonus Shares (as respectively defined below) (in fully-paid or credited as fully-paid forms); (iv) the filing and registration of all documents relating to the Open Offer with Bonus Issue (as respectively defined below), which are required by law to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance (Chapter 32 of the Laws of Hong Kong); and (v) the obligation of the Underwriter (as defined in the Circular) under the Underwriting Agreement (as defined in the Circular) becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement:
 - (a) the issue by way of open offer (the “**Open Offer**”) of not less than 1,449,829,215 new shares and not more than 1,468,670,882 new shares of HK\$0.10 each in the share capital of the Company (the “**Offer Shares**”) to the shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on the date by reference to which entitlement under the Open Offer will be determined (other than those shareholders (the “**Excluded Shareholders**”) of the Company with registered address outside Hong Kong whom the Directors, based on the enquiries made by the Company, consider their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of one Offer Share for every six existing shares of HK\$0.10 each in the Company then held at the subscription price of HK\$0.10 per Offer Share and otherwise on the terms and conditions set out in the Circular, a copy of which has been produced to the Meeting marked “A” and initialled by the chairman of the Meeting for the purpose of identification be and is hereby approved;

* For identification purposes only

NOTICE OF EGM

- (b) the issue (the “**Bonus Issue**”) by way of bonus shares (the “**Bonus Shares**”) to the first registered holders of the Offer Shares on the basis of two Bonus Shares for every one Offer Share taken up in accordance with the terms and conditions as set out in the Circular be and is hereby confirmed and approved;
- (c) the directors (the “**Directors**”) of the Company be and are hereby unconditionally and specifically authorised to allot and issue such number of new shares of HK\$0.10 each in the capital of the Company (the “**Special Mandate**”) as may be required to be allotted and issued pursuant to or in connection with the Open Offer and the Bonus Issue (notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders) and in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or Excluded Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong and that the Special Mandate is in addition to, and shall not prejudice or revoke the existing general mandate to issue shares granted to the Directors by the shareholders of the Company at the annual general meeting of the Company held on 6 November 2008 or such other general or special mandate(s) to issue shares which may from time to time be granted to the Directors prior to the passing of this resolution;
- (d) the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the arrangements for taking up of the unsubscribed Offer Shares, if any, by the Underwriter (as defined in the Circular) be and are hereby approved, confirmed and ratified;
- (e) the arrangements for application for the Offer Shares by the Qualifying Shareholders in excess of their entitlements under the Open Offer by and are hereby approved, confirmed and ratified; and
- (f) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Open Offer and the Bonus Issue or as he considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Open Offer and the Bonus Issue, the Underwriting Agreement and the transactions contemplated thereunder.”

NOTICE OF EGM

2. “**THAT** subject to the Executive (as defined in the Circular) granting to the Underwriter (as defined in the Circular) and parties acting in concert with it the Whitewash Waiver (as defined in the Circular) and the satisfaction of any condition attached to the Whitewash Waiver imposed by the Executive, the waiver pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”) waiving any obligation on the part of the Underwriter and parties acting in concert with it to make a mandatory general offer to the shareholders of the Company to acquire shares in the Company other than those already owned by the Underwriter and parties acting in concert with it which would otherwise arise under Rule 26.1 of the Takeovers Code as a result of any issue and allotment pursuant to application(s) made by the Underwriter and parties acting in concert with it under the Open Offer and the Bonus Issue, the terms of which is set out in the Circular, a copy of which has been produced to the Meeting marked “A” and initialled by the chairman of the Meeting for the purpose of identification be and is hereby approved.”

By order of the Board
Uni-Bio Science Group Limited
Tong Kit Shing
Chairman

Hong Kong, 30 March 2009

Registered office:

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

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his/her/its proxy to attend and vote in his/her/its stead. A member who is the holder of two or more shares (the “**Shares**”) of the Company may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the Meeting. A proxy need not be a member of the Company. A form of proxy for use at the Meeting is enclosed with the circular of the Company dated 30 March 2009.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she/it were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

NOTICE OF EGM

3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his/her/its attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised, and must be deposited with the Hong Kong branch share registrar and transfer office of the Company, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the Meeting or any adjournment thereof.
4. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. The above resolutions will be put to vote at the Meeting by way of poll.

As at the date of this notice, the executive Directors are Mr Tong Kit Shing (Chairman), Mr Liu Guoyao and Mr Cheng Wai Man; the independent non-executive Directors are Mr Zhou Yao Ming, Mr Lin Jian and Mr So Yin Wai.