

**SciGen Ltd and its subsidiaries
Corporate Directory**

Directors

Executive Chairman and Chief Executive Director

Slawomir Ziegert
Executive Chairman and Chief Executive Officer

Executive Directors

Jenny Low
Senior Vice President & Corporate Secretary

Adam Aleksandrowicz
Chief Financial Officer

Non-Executive Directors

Kenneth Gross
Non-Executive Director
Chairman, Audit Committee

Mateusz Patryk Kosecki
Non-Executive Director

Amol Jashvant Shah
Non-Executive Director

Adam Wilczega
Non-Executive Director
Member, Audit Committee

Marcin Dukaczewski
Non-Executive Director

Adam Tomasz Polonek
Non-Executive Director

Joanna Szymanska-Bulska
Non-Executive Director

Secretaries

Lai Leng Wong

Jenny Low
Senior Vice President & Corporate Secretary

**SciGen Ltd and its subsidiaries
Corporate Directory**

Principal registered office in Singapore	152 Beach Road, #26-07/08 Gateway East, Singapore 189721
Principal registered office in Australia	Suite 1, 13B Narabang Way, Belrose, NSW 2085, Australia
Share and debenture registers	Computershare Investor Services Pty Limited Level 5, 115 Grenfell Street, Adelaide, South Australia, 5000, Australia Ph: 1300 556 161 (within Australia) Ph: (61) 3 9615 5970 (outside Australia) Fax: (61) 8 8236 2305 Website: www.computershare.com
Auditors	Deloitte & Touche LLP 6 Shenton Way #32-00 DBS Building Tower Two Singapore 068809 Partner-in-charge: Ng Peck Hoon (appointed in June 30, 2010)
Solicitors	Allen & Gledhill Norton Rose
Bankers	ANZ Bank, Ltd. Bank Leumi Israel Citibank, N.A. DBS Bank Ltd Kookmin Bank, Ltd. Westpac Bank HDFC Bank Bank of Communications
Stock exchange listings	SciGen Ltd is a public company incorporated in Singapore. Shares are held by Chess Depository Nominees in Australia and are publicly traded on the Australian Stock Exchange in the form of CHESS Units of Foreign Securities (CUFS) on a 1 CUF for 1 fully paid ordinary share basis.
Website address	www.scigenltd.com
Currency	The annual report is prepared in United States dollars.

SCIGEN LTD AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2010.

Directors

The directors in office at the date of this report are as follows:

Mr. Slawomir Ziegert	
Mr. Adam Aleksandrowicz	(Appointed March 3, 2011)
Ms. Jenny Low	
Mr. Kenneth Gross	
Mr. Adam Wilczega	
Ms. Joanna Szymanska-Bulska	
Mr. Marcin Dukaczewski	
Mr. Adam Tomasz Polonek	
Mr. Mateusz Patryk Kosecki	
Mr. Amol Jashvant Shah	
Mr. Ryszard Krzysztof Krauze	(Resigned March 22, 2011)
Dr. Marian Gorecki	(Resigned March 3, 2011)
Mr. Martin Cooper	(Resigned March 3, 2011)

Principal activities

During the year, the principal activities of the Group and the Company consisted of:

- a. Business development;
- b. Collaborative research & development of biotechnology derived products;
- c. Sales, marketing and distribution;
- d. Health registration of those products; and
- e. Manufacturing - Establishment of facilities for the manufacture of Insulin.

Dividends

Due to the capital requirements and early stage growth of the Company, the Directors have not declared a dividend for the financial year ended December 31, 2010. No dividends have been paid, declared or proposed since the end of the Company's preceding financial year.

Results and review of operations and activities

A summary of consolidated revenue and results by significant geographical segments is set out below:

	Segment revenue		Segment results	
	Year ended	Year ended	Year ended	Year ended
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	US\$'000	US\$'000	US\$'000	US\$'000
Singapore	2,555	2,208	(24)	(9)
Australia	3,522	2,064	1,348	1,630
Korea	461	554	93	(201)
Thailand	2,213	1,673	298	219
Vietnam	1,682	1,074	268	202
Philippines	1,351	1,017	240	130
Israel	164	-	(10,636)	(15,039)
India	-	2,553	(801)	(6,968)
China	-	-	(907)	(3,611)
Others	421	108	231	(44)
Total for all segments	<u>12,369</u>	<u>11,251</u>	(9,890)	(23,691)
Unallocated revenue less unallocated expenses			(7,772)	(18,358)
Loss from ordinary activities before income tax			(17,662)	(42,049)
Income tax credit			7,464	89
Net loss for the year			<u>(10,198)</u>	<u>(41,960)</u>

Comments on the operations and the results of those operations are set out below:

Revenue surpassed the preceding year on the back of improved performance from all regions except India, coupled with the profit sharing revenue of US\$0.1 million which arose from the commercialisation of Bioton's insulin in People's Republic of China.

The stop in supply to India following disruptions in payments from the distributor, contributed to a decline in revenue by US\$2.6 million as compared to last year. A new product, Seruderm™, was launched during the third quarter in Australia, where initial response from the market has been encouraging.

Net loss for the year was primarily due to write-down of carrying value of the facility at Israel amounting to US\$6.1 million and Sci-B-Vac™ licences amounting to US\$2.7 million. Subsequently, the carrying value of the facility and licences is reclassified to Assets Held for Sale in the Consolidated Statement of Financial Position. In addition, Group depreciation increased by US\$0.8 million from the subsidiaries in Israel and China as the manufacturing facilities were put to use.

The notable reduction in net losses from the preceding year was attributable to the high provision for impairment loss and write-off of assets in 2009, which amounted to US\$30.1 million coupled with the provision for the termination benefits payable to the ex-CEO of US\$2.6 million. Improvement in results was further enhanced with recognition of deferred tax asset of US\$7.5 million this year.

Loss per share

	Group	
	Year ended 31/12/2010 US\$'000	Year ended 31/12/2009 US\$'000
Basic loss per share	(1,766)	(7,285)

Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate, except for the items mentioned in paragraph 3 below.

Directors' interests in shares and debentures

The directors of the Company holding office at the end of the financial year had no interest in the share capital and debenture of the Company and related corporations as recorded in the register of directors' shareholding kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of directors and companies in which interests are held	Holdings registered in the name of the director		Holdings in which the director is deemed to have an interest	
	At beginning of the year or date of appointment, if later	At end of the year	At beginning of the year or date of appointment, if later	At end of the year
<u>Ordinary shares</u>				
Holding company				
Bioton S.A				
Ryszard K. Krauze	-	-	500,026,507	524,786,735
<u>Convertible debentures</u>				
Subsidiary company				
SciGen BioPharma Pvt. Ltd.				
Amol Jashvant Shah	-	-	-	750,000

By virtue of Section 7 of the Singapore Companies Act, Mr. Ryszard K. Krauze is deemed to have interests in the share capital of the Company and its wholly-owned subsidiaries, at the beginning and end of the financial year, by virtue of his deemed interest of not less than 20% in the issued share capital of Bioton S.A., a shareholder of the Company.

Directors' receipt and entitlement to contractual benefits

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

Share options

(a) Options to take up unissued shares

During the financial year, no option to take up unissued shares of the company or any corporation in the Group was granted.

(b) Options exercised

During the financial year, there were no shares of the company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the company or any corporation in the Group under option.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group and the Company during the financial year are as follows:

a. Major investment in SciGen Ltd's subsidiary in India.

On March 15, 2010, SciGen Ltd (the "Company") announced that it had signed an investment agreement with Anglo Gulf Ltd (the "Anglo Gulf") for the issue and allotment of new shares in SciGen BioPharma Pvt Ltd (the "Subsidiary"), which is 100% owned by the Company and operating in India. This transaction involves a cash injection of US\$8 million by Anglo Gulf for 49.99% interest in the equity of the Subsidiary. Following the issue of new shares in the Subsidiary to Anglo Gulf, the Company will continue to retain control of the Subsidiary.

The funds injected by Anglo Gulf will expedite the completion of the manufacturing facility of the Subsidiary. The facility, when completed, will be manufacturing recombinant human insulin and potentially other biotechnological products.

Anglo Gulf is a part of the Indian MJ Group which has 30 years presence in the pharmaceutical industry and extensive experience in the development, sales and marketing of biotechnology derived and other pharmaceutical products.

b. Change of shareholding of Bioton S.A.

On May 7, 2010, SciGen Ltd announced that Bioton S.A. (“Bioton”), which holds over 90% of the shares in SciGen Ltd has increased its shareholding from 90.54% to 95.02%.

The additional shares were acquired at AUD7,428,068 and payment was made in the form of ordinary shares of Bioton, where Bioton delivered 89,474,460 newly issued ordinary shares (“New Shares”) in Bioton at the issue price of PLN0.22 per one New Share with an implied swap ratio of 3.6136 New Shares per one share in SciGen. The shares are purchased from HBS S.A., acting as representative for certain minority shareholders of SciGen Ltd.

In July 2010, Bioton acquired an additional 3,000,000 ordinary shares in SciGen Ltd, bringing its shareholding to 95.57% at date of this report.

c. Agreement with Bayer HealthCare (“Bayer”) in People’s Republic of China (“China”)

In the preceding year, on July 10, 2009, SciGen Ltd (the “Company”) announced that together with its holding company, Bioton S.A. (“Bioton”), an exclusive supply and distribution agreement (the “Distribution Agreement”) has been signed with Bayer HealthCare (“Bayer”). The Distribution Agreement is to realise the Group’s strategic goal of expansion of the insulin franchise through alliances with blue-chip pharma companies on most important global markets. Collaboration with Bayer facilitates the availability of SciLin™ to diabetes patients throughout China.

Following the execution of the agreement, the Company entered into a profit sharing agreement with Bioton, whereby the Company will receive a profit share of the revenues from the Distribution Agreement. The profit share is specified as price per vial/cartridge of the product sold and paid by Bayer in China for a period of 15 years starting from the date of the first commercial sales of the product under the Distribution Agreement.

Matters subsequent to the end of the financial year

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would substantially affect the results of the Group and of the Company for the financial year in which this report is made.

Likely developments and expected results of operations

Likely developments in the operations of the Group and the Company at the date of this report include:

- (a) The main focus for the Group during the financial year ending December 31, 2011 is to commission the start-up of its packaging facility line in China and to continue with the construction of its facility in India.
- (b) The Group will launch at least four new products into the Asia Pacific market within the first half year of 2011. The Group will continually look for opportunities for new products and technology to add to its portfolio.
- (c) The Company will continue to register and commence commercialization of its products in the countries where the Company has rights of registration, sales and marketing.
- (d) The Company will look into potential divestment of its subsidiary in Israel, SciGen (I.L.) Ltd and the related intangible assets, following the decision aimed at focusing on recombinant human insulin as its core product and development of insulin-related products, which is the global strategy of its ultimate holding company, Bioton S.A.

Further information on likely developments in the operations of the Group and the Company and the expected results of operations have not been included in this report, because the directors are of the opinion that such information is commercially sensitive.

Going concern

The management is responsible for preparation and fair presentation of these financial statements in accordance with provisions of the Singapore Companies Act and Singapore Financial Reporting Standards. The directors of the Company consider that it is appropriate for the financial statements to be prepared on a going concern basis as the Group and the Company will have sufficient funding to carry out its operating and investment activities based on the financial support given by the ultimate holding company.

Director

Experience

Mr. Slawomir Ziegert
(Age 45)

Mr. Slawomir Ziegert, is a medical doctor, graduate of the Medical University in Gdańsk. He has been connected with the pharmaceutical industry for over sixteen years, working in Poland and abroad for such concerns as Eli Lilly, Egis Group (a part of Servier group) and Ipsen. He has got enormous business experience covering different sectors of the pharmaceutical industry, including biotechnology, in particular business development within the scope of endocrinology and treatment of diabetes. In 1993-2004 he worked in the Polish branch of Eli Lilly, one of the world's leading pharmaceutical concerns and manufacturers of recombinant human insulin and insulin analogues, where he was responsible for the development of diabetes business, relations with the diabetes environment and governmental affairs.

In 1998-2000 he was also Eli Lilly's Country Manager in Slovakia, supervising, among others, the development of sale of insulins and antibiotics. In 2004-2005 he was CEO of Egis Pharmaceuticals (a part of Servier group) where he was responsible for the Baltic States area. In 2006-2009 he was CEO of Ipsen Poland. Working for Ipsen Poland, he was responsible for introduction of somatostatin analogue and IgF1 to the Polish market and for improvement of efficiency of marketing and sales activities. He has taken many manager courses and training abroad. He is fluent in: English, Russian, German and Slovak.

Since November 9, 2009 he has been holding the position of the President of the Managing Board of Biton S.A. and is CEO of the Company.

Mr. Adam Aleksandrowicz
(Age 38)
(appointed March 3, 2011)

Mr. Adam Aleksandrowicz, the financial director and member of the Managing Board of Bioton S.A, is a graduate from the University of Gdańsk. He has extensive knowledge and experience in corporate finance management, in particular in companies in pharmaceutical industry. Between 2006-2009 he worked for AstraZenaca, one of the world's leading pharmaceutical concerns, holding the position of CFO in AstraZeneca's companies in Poland and in Russia. Prior to this, Mr. Aleksandrowicz was with Pliva Kraków S.A., a subsidiary of TEVA, where he started CFO and progressed to the position of President of the Managing Board. Mr. Aleksandrowicz had also worked as a manager in Corporate Finance in PriceWaterhouseCoopers, Poland, working on mergers and acquisitions, evaluation of businesses, restructuring of companies and optimization of financing structures of company development. Before taking up the work at PriceWaterhouseCoopers he worked as Corporate Finance consultant at O.M. Investment Sp. z o.o and in investors relations department at Bank Gdański S.A. He has completed a number of postgraduate studies, among others Executive Management Program University of Michigan School of Business Administration in the United States.

Director

Experience

Ms. Jenny Low
(Age 59)

Ms. Jenny Low is the Senior Vice President & Corporate Secretary of the Company. Ms. Low, who has been with the company for over 18 years, is the longest service staff member and has been involved in many areas of the Company's operations, including the listing of the Company in ASX. Prior to her appointment as the Senior Vice President in October 2006, Ms. Low was the Chief Financial Officer of the Company.

Ms. Low, a Chartered Accountant, held senior accountancy positions in various companies in both Malaysia and Singapore. With over 30 years of accounting experience, Ms. Low is well versed with accounting practices and tax laws of the Asia-Pacific region. Before joining SciGen in September 1991, Ms. Low was with Abacus Distribution Systems Pte Ltd, a company owned jointly by the major airline companies in Asia.

Mr. Kenneth Gross
(Age 81)

Mr. Kenneth Gross co-founded Goldmark Plastic Compounds in 1957. The Company has since become a major distributor of plastic raw materials within the United States. In addition, Mr. Gross holds a number of directorships in various companies involved in chemical, metals, engineering resins and lubricating oils.

Joanna Szymańska-Bulska
(Age 47)

Ms. Joanna Szymańska-Bulska is the Member of the Management Board and the Foreign Markets Director of Bioton. She has over 17 years of experience in pharmaceutical industry and distribution. During her career, Ms. Szymańska-Bulska held several management and senior management positions in Ciba Geigy, Novartis, Phoenix Pharma Aktiengesellschaft, Phoenix Pharma PL ("PPL"), mainly in the field of sales and marketing. For one year, she was appointed to the position of the Advisor of the Polish Minister of Health. She has also served as Member of the Polish Pharmacy Chamber and Member of the Supervisory Board of the PKPP Pharmacy and Chemistry Chamber. Before joining Bioton, Ms. Szymańska-Bulska was a Chairman of the international Management Board and CEO of PPP for six years where she had overall responsibility for PPP.

Mr. Adam Wilczega
(Age 56)

Mr. Adam Wilczega is a graduate of Warsaw School of Economics, where he obtained the title of MSc in economics. Moreover, in 1991 he completed managers training in Japan. His professional career started in 1979 at PTHZ Varimex in Warsaw where he worked as a section manager until 1984. In 1984-1989 he was employed as a director of Technical and Trade Information Centre in Cairo, Egypt. Then, in the period 1989-1991 he held the position of the Director of PTHZ Varimex in Warsaw. In 1991-1996 he was the president of the managing board of Future Trading Co. Sp. z o.o. (limited liability company) in Warsaw. He has been working in the Company since 1996, when he has become director for foreign co-operation and a Member of the Managing Board. Since 1998 he has been the president of the managing board of BIOTON TRADE Sp. z o.o. He is the a member of the board of directors of SciGen Ltd. From 1997 till January 15, 2009 he was holding the post of the President of the Managing Board. Since January 15, 2009 he has been Vice President of the Managing Board and since March 2009 he has been holding the post of Director for Foreign Markets of the Company

Director

Experience

Marcin Dukaczewski
(Age 32)

Mr. Marcin Dukaczewski was trained in International Political and Economical Relations at the Warsaw University. Since 2001, Mr. Dukaczewski works for the Polish private-equity fund, Prokom Investments (being the strategic investor in Bioton), where he started his career with marketing and investor relations positions and moved to business development. Mr. Dukaczewski has been involved in working for Bioton Group's strategic investments, mergers & acquisitions and IPO projects in biotechnology, IT, real-estate and oil and gas E&P. Prior to joining Prokom, Mr. Dukaczewski worked for the Foreign Investors Chamber in Poland, Metro Group and in the NGO sector.

Adam Tomasz Polonek
(Age 34)

Mr Adam Polonek is a graduate of the Economic Faculty at Academy of Economics in Poland. Mr. Polonek joined Bioton in 2006 as Deputy Finance Director and since April 2009 as the Finance Director. Mr. Polonek holds also position of Deputy Finance Director of Bioton Trade Ltd and Member of the Board of BioPartners Polska Ltd, which are part of the Bioton Group.

Mr. Polonek's professional experience includes successful career in one of the leading investment bank in CEE Europe, CAIB Financial Advisers, which is part of the leading banking group Unicredit in Europe. During Mr. Polonek's career, he was involved in several Corporate Finance transactions and he has vast experience in stock exchange markets.

Mateusz Patryk Kosecki
(Age 36)

Mr. Mateusz Kosecki is a graduate of the Executive MBA Program of European University, Montreux, Switzerland. Mr Kosecki is the Managing Director for Eastern Europe, Asia and Pacific Region of Bioton S.A. and oversees the operations of the company in the region and is also responsible for the business development. Mr. Kosecki possesses extensive experience in international business. From 1995 to 1996 he worked as the Marketing Manager in Lenex Company in Sofia, Bulgaria. From 1997 to 2001 he was Head of Foreign Corporate Governance and Operations of Ciech S.A., the biggest Polish chemical holding company. He has been connected with pharmaceutical industry for 8 years. From 2002 to 2006, as the Country Manager for Russia of the Polish pharmaceutical company Ciech Polfa, and from 2006 to 2009 as Regional Director for Eastern Europe in Bioton S.A.

Amol Jashvant Shah
(Age 45)

Mr. Amol Shah is the managing director of MJ Biopharm Pvt. Ltd., an Indian based company possessing a modern facility in Mumbai for manufacturing of life saving products including Insulin. He focuses on overall supervision of the company and the development of strategic business alliances. From 1990 to 1995 he worked as a Director at Anglo Gulf Limited in Dubai where he was responsible for setting up of a new facility for manufacture of pesticides in Jebel Ali, Dubai and managing of new business collaboration with multinational companies

Director

Mr. Ryszard K. Krauze
(Age 54)
(resigned March 22, 2011)

Experience

Mr. Ryszard Krauze is a graduate of Technical University of Gdańsk. In 1984-1986 he was employed at Centrala Handlu Zagranicznego Polservice in Warsaw. From 1987 until 1994 he was the owner and director of Innowacyjny Zakład Techniki Komputerowej Prokom, then Prokom Komputer System R. Krauze. In 1990 he founded ComputerLand Sp. z o.o. (at present ComputerLand S.A.) where he was holding the position of the president of the Managing Board since 1992 and in 1993-1994 he was the vice-president of the supervisory board of that company. Since 1990 he has been the president of the Managing Board of Prokom Software System Sp. z o.o. (at present PROKOM Investments S.A.) and in the years 1994-2007 he was the president of the Managing Board of Prokom International Sp. z o.o. (PROKOM Software S.A.). He held the position of the vice-president of the supervisory board of Wirtualna Polska S.A., Zakłady Farmaceutyczne Biolek Sp. z o.o. and Incenti, the chairman of the supervisory board of PROKOM Internet S.A., KOMA S.A. and The Polished Group S.A. Moreover, he was also holding position of the president of the Managing Board of the companies Polfruit Sp. z o.o. (until April 2006), Eurodata Sp. z o.o. (until April 2006) and Context International Textile Limited Sp. z o.o. (until May 2006).

At present he is the Chairman of the supervisory boards of the following companies: Petrolinvest S.A., Softbank S.A., Polnord S.A., Zakłady Ogrodnicze C. Ulrich założone 1805 w Warszawie S.A. He is also the vice-chairman of the supervisory board of Fadesa PROKOM Polska Sp. z o.o., a member of the supervisory board of C2 System Polska S.A. and RUM IT S.A. He is also a member of the board of directors of the following companies: Occidental Resources, Siewiergeofizyka, Amiga Inc. and Hakia Inc.

He is the president of the Managing Board and first honorary president of the Tennis Club Arka Sp. z o.o. Moreover, he is the president of the managing board of International Data Technology Sp. z o.o. He is a member of the Polish Business Roundtable and the vicepresident of the Polish Confederation of Employers. He also holds the function of an honorary consul of Austria and sits at the senate of The Academy of International Economic and Political Relations in Gdynia. He is also the chairman of the board of Ryszard Krauze Foundation. Since 28 March 1996 he has been the Chairman of the Supervisory Board of Bioton S.A..

Director

Experience

Mr. Martin Cooper

(Age 44)
(resigned March 3,
2011)

Mr. Martin Cooper is the Chief Financial Officer of the SciGen Group. Mr. Cooper, a British Citizen, is based in Singapore. He qualified as a Chartered Accountant in 1990 with Deloitte & Touche and has an MBA from Henley Management College, Oxford, England.

Prior to joining SciGen in October 2006, Mr. Cooper spent 6 years as the Group Finance Director (“FD”) for the The Parkmead Group Plc (“Parkmead”). Parkmead is a venture capital company listed on the AIM in London. In addition to his role as FD, he was also the company secretary and was a Non-Executive Director of a number of early stage high growth businesses.

Mr. Cooper has extensive experience including restructuring private equity investments, preparation and appraisal of financial business models, restructuring of finance departments, maintaining financial controls in fast growth environments as well as substantial strategic and commercial experience.

Dr. Marian Gorecki

(Age 70)
(resigned March 3,
2011)

Dr. Marian Gorecki received a PhD from the Weizmann Institute of Science and was a post graduate fellow in Biology Department at the Massachusetts Institute of Technology (MIT). In 1976, he was appointed Senior Research Scientist and Associate Professor at the Weizmann Institute, Israel. In 1980, Dr. Gorecki co-founded BioTechnology General Corp, now Savient Pharmaceuticals, Inc. He was appointed Senior Vice President, Chief Technical Officer for BTG Corp. and Managing Director for BTG (Israel). He also served as Chairman and CEO of Mediowound Ltd., a biotechnology company developing enzyme-based products in the fields of burn and wound management. He is currently Director of Mediowound Ltd., and Chairman of Thrombotech, a company developing a peptide to mitigate the side effects of standard stroke treatments and is a consultant to Clal Biotechnology. Dr. Gorecki was responsible for overseeing the clinical development, regulatory approval and commercialization of five biotechnology drugs that are currently marketed worldwide as well as two that are now in Phase III trials. Dr. Gorecki has more than 21 patents to his name and author to 73 peer-reviewed scientific articles. Dr. Gorecki is the Chairman of SciGen’s Scientific Advisory Board and has been instrumental in the development of the Company’s product portfolio.

Information on Company Secretaries

Ms. Jenny Low was appointed to the position of company secretary in August 2003. Ms. Jenny Low previously held the role of Chief Financial Officer of the Company for 17 years.

Lai Leng Wong has been the Company Secretary of the Company since 2002.

Meetings of directors

The numbers of meetings of the Company's Board of directors and of each board committee held during the financial year ended December 31, 2010, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
	A	B	Audit	B	Remuneration	B
Mr. Kenneth Gross	2	2	2	2	-	-
Mr. Adam Wilczega	1	1	2	2	-	-
Ms. Joanna Szymańska-Bulska	1	1	-	-	-	-
Mr. Marcin Dukaczewski	2	2	-	-	-	-
Mr. Adam Tomasz Polonek	1	1	-	-	-	-
Dr. Marian Gorecki (resigned on March 3, 2011)	1	1	2	2	-	-
Mr. Ryszard Krzysztof Krauze (resigned on March 22, 2011)	-	-	-	-	-	-
Mr. Sławomir Ziegert	2	2	-	-	-	-
Mr. Mateusz Patryk Kosecki	1	1	-	-	-	-
Mr. Amol Jashvant Shah	2	2	-	-	-	-
Mr. Martin Cooper (resigned on March 3, 2011)	2	2	2	2	-	-
Ms. Jenny Low	2	2	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

Key management personnels' emoluments

The Remuneration Committee, comprising the following non-executive directors:

- Dr. Marian Gorecki (Chairman) - *Resigned March 3, 2011*
- Mr. Ryszard Krauze – *Resigned March 22, 2011*
- Mr. Adam Aleksandrowicz - *Appointed March 3, 2011*
- Mr. Marcin Dukaczewski - *Appointed March 22, 2011*
- Mr. Adam Tomasz Polonek - *Appointed March 22, 2011*

The Remuneration Committee should comprise entirely of non-executive directors and be chaired by an independent Director. During the year, the remuneration committee did not meet. Dr. Marian Gorecki and Mr. Ryszard Krauze remained on the Remuneration Committee until their resignations on March 3, 2011 and March 22, 2011 respectively. Whilst this is a departure from the recommendation, the Board believes that the new Committee have the knowledge and experience on remunerations in the biopharmaceutical industry.

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for the Chief Executive Officer (who is also the Executive Chairman) and remuneration for non-executive directors. In reviewing remuneration levels, the Board takes into account financial performance in addition to other goals related to business development and operational issues.

Executive remuneration and other terms of employment are reviewed annually by the Chief Executive Officer having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as base salary, remuneration packages include superannuation, performance-related bonuses and fringe benefits.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Group and the Company's operations.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time. Options are issued but bonuses are not payable to non-executive directors.

Details of remunerations

Details of the remunerations of the directors and the key management personnel of the Company and the Group are set out in the following tables. During the year, the directors did not receive remunerations from the Company, except for those as disclosed in the tables below.

The key management personnel of the Company includes the directors as per pages 9-13 above and the following executive officers, which also includes the following highest paid executives of the entity:

- Adam Allerhand - *Commercial Director - Asia Pacific Region
(Until August 31, 2010)*
- Marcus Poh - *Regional Marketing Manager*
- Yvonne Lim - *Group Financial Controller
(From February 1, 2010)*
- Liza Domingo - *Country Manager – Philippines*
- RC Tulasi - *Regional Regulatory Manager
(Until November 24, 2010)*

The key management personnel of the Group are the directors of SciGen Ltd (see pages 9-13 above) and those executives that are involved in the decision making of the Company and the Group. This includes these group executives who received the highest remuneration for the financial year ended December 31, 2010. The executives are :

- Adam Allerhand - *Commercial Director - Asia Pacific Region
(Until August 31, 2010)*
- Jean-Claude Balducci - *Country Manager - Australia & New Zealand*
- Chander Shehkar Sharma - *Business Development Executive*
- Sharon Walters - *Business Development Executive*
- Yaacov R. Hartman - *Director of Research & Development
(Until October 31, 2010)*

Key management personnel of SciGen Ltd

*Year ended
December 31, 2010*

	Short-term employee benefits			Post-employment benefits		Termination benefits	
Name	Cash salary and fees US\$	Cash bonus US\$	Non monetary benefits US\$	Superannuation US\$	Retirement & Insurance benefits US\$	Amount US\$	Total US\$
Non-executive directors							
Mr. Kenneth Gross	27,641	-	-	-	-	-	27,641
Dr. Marian Gorecki	60,000	-	-	-	-	-	60,000
Sub-total non-executive directors	87,641	-	-	-	-	-	87,641
Executive director							
Mr. Martin Cooper	142,601	8,495	100,844	8,455	-	-	260,395
Ms. Jenny Low	211,032	27,044	6,209	5,089	-	-	249,374
Other key management personnel							
Mr. Adam Allerhand (Until August 31, 2010)	137,092	152,327	54,358	-	-	-	343,777
Mr. Marcus Poh	97,610	14,666	-	8,250	-	-	120,526
Ms. Yvonne Lim (From February 1, 2010)	68,829	12,572	-	917	-	-	82,318
Ms. Liza Domingo	68,913	3,960	5,652	35	-	-	78,560
Mr. RC Tulasi (Until November 24, 2010)	47,597	3,460	11,843	-	-	-	62,900
Total	861,315	222,524	178,906	22,746	-	-	1,285,491

Key management personnel of SciGen Ltd (continued)

<i>Year ended December 31, 2009</i>	Short-term employee benefits			Post-employment benefits		Termination benefits	
Name	Cash salary and fees US\$	Cash bonus US\$	Non monetary benefits US\$	Superannuation US\$	Retirement & Insurance benefits US\$	Options US\$	Total US\$
Non-executive directors							
Mr. Paul Freiman (Until June 29, 2009)	15,000	-	-	-	-	-	15,000
Mr. Kenneth Gross	23,686						23,686
Dr. Marian Gorecki	60,000	-	-	-	-	-	60,000
Sub-total non-executive directors	98,686	-	-	-	-	-	98,686
Executive director							
Mr. Saul A. Mashaal * (Until June 29, 2009)	120,240	4,416	73,222	-	2,073	2,726,543	2,926,494
Mr. Adam Allerhand	121,935	45,000	46,484	163	-	-	213,582
Mr. Martin Cooper (From December 1, 2009)	11,291	2,024	5,638	468	-	-	19,421
Ms. Jenny Low (From December 1, 2009)	15,683	12,074	267	1,150	-	-	29,174
Other key management personnel							
Mr. David M. Mashaal (Until July 31, 2009)	136,996	8,971	46,300	5,894	-	109,176	307,337
Mr. Martin Cooper (Until November 30, 2009)	103,009	-	63,106	2,993	-	-	169,108
Ms. Jenny Low (Until November 30, 2009)	146,454	-	12,561	2,641	-	-	161,656
Dr. G. Balasubramaniam (Until August 15, 2009)	67,230	4,678	103	4,436	-	-	76,447
Mr. Marcus Poh	59,668	6,494	407	6,422	-	-	72,991
Total	881,192	83,657	248,088	24,167	2,073	2,835,719	4,074,896

* Included in base salary is a consultancy fee of US\$45,787 payable to a corporation in which Mr. Saul A. Mashaal has an interest. The amount was paid for services of Mashaal Enterprises Ltd.

Key Management personnel of the Group

<i>Year ended December 31, 2010</i>		Short-term employee benefits			Post-employment benefits		Termination benefits
Name	Cash salary and fees US\$	Cash bonus US\$	Non monetary benefits US\$	Superan- uation US\$	Retirement & Insurance benefits US\$	Amount US\$	Total US\$
Non-executive directors							
Mr. Kenneth Gross	27,641	-	-	-	-	-	27,641
Dr. Marian Gorecki	60,000	-	-	-	-	-	60,000
Mr. Tim Holden	7,033	-	-	-	-	-	7,033
Sub-total non-executive directors	94,674	-	-	-	-	-	94,674
Executive directors							
Mr. Martin Cooper	142,601	8,495	100,844	8,455	-	-	260,395
Ms. Jenny Low	211,032	27,044	6,209	5,089	-	-	249,374
Mr. Yehuda Zelig (Until August 10, 2010)	144,131	-	-	23,509	-	-	167,640
Mr. Henry Dong-Ha Pyun	96,430	-	-	1,570	2,944	-	100,944
Other key management personnel							
Mr. Adam Allerhand (Until August 31, 2010)	137,092	152,327	54,358	-	-	-	343,777
Mr. Jean-Claude Balducci	225,941	15,665	-	21,745	-	-	263,351
Mr. Chander Shehkar Sharma	106,125	15,854	-	10,845	-	-	132,824
Ms. Sharon Walters	84,764	23,108	-	23,625	-	-	131,497
Mr. Yaacov Hartman (Until October 31, 2010)	103,273	-	-	25,560	-	-	128,833
Total	1,346,063	242,493	161,411	120,398	2,944	-	1,873,309

Key Management personnel of the Group (continued)

**Year ended
December 31, 2009**

	Short-term employee benefits			Post-employment benefits		Termination benefits	
Name	Cash salary and fees	Cash bonus	Non monetary benefits	Superan-nuation	Retirement benefits	Options	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Non-executive directors							
Mr. Paul Freiman (until June 29, 2009)	15,000	-	-	-	-	-	15,000
Mr. Kenneth Gross	23,686	-	-	-	-	-	23,686
Dr. Marian Gorecki	60,000	-	-	-	-	-	60,000
Mr. Clarence Cheng	1,185	-	-	-	-	-	1,185
Mr. Tim Holden	7,422	-	-	-	-	-	7,422
Sub-total non-executive directors	107,293	-	-	-	-	-	107,293
Executive directors							
Mr. Saul A. Mashaal * (Until June 29, 2009)	120,240	4,416	73,222	-	2,073	2,726,543	2,926,494
Mr. Adam Allerhand (Until November 25, 2009)	121,935	45,000	46,484	163	-	-	213,582
Mr. Martin Cooper (From December 1, 2009)	11,291	2,024	5,638	468	-	-	19,421
Ms. Jenny Low (From December 1, 2009)	15,682	12,074	267	1,150	-	-	29,173
Mr. Yehuda Zelig	230,920	-	23,634	31,544	-	-	286,098
Mr. Henry Dong-Ha Pyun	92,204	-	-	1,520	2,820	-	96,544
Other key management personnel							
Mr. David M. Mashaal (Until July 31, 2009)	136,996	8,971	46,300	5,894	-	109,176	307,337
Mr. Jean-Claude Balducci	177,889	6,244	-	16,572	-	-	200,705
Mr. Martin Cooper	103,009	-	63,106	2,993	-	-	169,108
Ms. Jenny Low	146,454	-	12,561	2,641	-	-	161,656
Mr. Yaacov Hartman	93,198	-	5,617	24,019	-	-	122,834
Total	1,357,111	78,729	276,829	86,964	4,893	2,835,719	4,640,245

* Included in base salary is a consultancy fee of US\$45,787 payable to a corporation in which Mr. Saul A. Mashaal has an interest. The amount was paid for services of Mashaal Enterprises Ltd.

Insurance of officers

During the financial year, the Company paid a premium of US\$39,300 to insure the directors and officers of the Company and its controlled entities, and the managers of each of the divisions of the Group and the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group and the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the group at the forthcoming AGM of the Company.

Auditor

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS



.....
Slawomir Ziegert
Chairman, Chief Executive Officer & Director



.....
Adam Aleksandrowicz
Chief Financial Officer

Singapore
March 31, 2011

SCIGEN LTD AND ITS SUBSIDIARIES

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company set out on pages 35 to 91 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2010 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, with the continued financial support from its ultimate holding Company, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

ON BEHALF OF BOARD OF DIRECTORS



.....
Slawomir Ziegert
Chairman, Chief Executive Officer & Director



.....
Adam Aleksandrowicz
Chief Financial Officer

Singapore
March 31, 2011

Corporate Governance Statement

SciGen Ltd (the “Company” or “SciGen”) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company’s corporate governance framework is largely consistent with the Best Practice recommendations released by the Australian Stock Exchange Corporate Governance Council when taking into account the size and scope of the company. The Company and its controlled entities together are referred to as the Group in this statement.

A summary of the compliance status of the Group under the broad Principle headings as defined in the Guidelines is shown below.

Principle 1

Lay solid foundations for management and oversight

1.1 Establish the functions reserved to the Board and those delegated to Senior Executives

The relationship between the Board and senior executives is important to the Group’s long-term success. Day to day management of the Group’s affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer (“CEO”) and senior executives. Responsibilities are delineated by formal authority delegation.

The directors are responsible to the shareholders for the performance of the Company in both the short and longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Roles of the Chairman and CEO

The Chairman is responsible for leading the Board, ensuring that Board activities are organised and efficiently conducted and for ensuring the Directors are properly briefed for meetings. The CEO is responsible for implementing Group strategies and policies.

Role of the Board

- (a) The Directors are responsible for the direction and supervision of SciGen’s business and for its overall corporate governance. This includes ensuring that internal controls and reporting procedures are adequate and effective. The Directors recognise the need to maintain the highest standards of behaviour, ethics and accountability.
- (b) The primary functions of the Board include:
 - (1) formulating and approving objectives, strategies and long-term plans for SciGen's continued development and operation, in conjunction with management;
 - (2) appointing and removing the chief executive officer;
 - (3) where appropriate, approving the appointment and the removal of senior executives;
 - (4) monitoring the implementation of these objectives, strategies and long-term plans to ensure SciGen, to the best of its ability, delivers shareholder value;

- (5) approval and monitoring the progress of major capital expenditure, acquisitions and disposals;
 - (6) monitoring SciGen's overall performance and financial results, including adopting annual budgets and approving SciGen's financial statements;
 - (7) ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
 - (8) selecting and reviewing the performance of the CEO and reviewing the performance of senior operating management;
 - (9) ensuring significant business risks are identified and appropriately managed;
 - (10) ensuring that SciGen meets the statutory, regulatory and reporting requirements of the ASX and requirements under Australia and Singapore corporations law;
 - (11) ensuring that SciGen, its Directors, officers, employees and associates are aware of and comply with all relevant laws and regulations;
 - (12) reporting to shareholders on performance;
 - (13) deciding the payment of dividends to shareholders; and
 - (14) reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance.
- (c) The Board consists of the Chairman and CEO, two executive directors, and seven other non-executive Directors. The term of Directors' appointments is governed by SciGen's Constitution. At least one third of Directors must retire and seek re-election at each Annual General Meeting of SciGen. Mr. Kenneth Gross having attained the age of 70 years, is required to seek re-election annually, under the provision of the Singapore Companies Act.
- (d) The Board has established an Audit Committee, a Remuneration Committee and a Scientific Advisory Board. From time to time, the Board may determine to establish specific purpose sub-committees to deal with specific issues.

1.2 Process for evaluating the performance of senior executives

The evaluation of the performance of senior executives by way of annual appraisals are conducted annually the respective supervisors and reported to the CEO.

Principle 2

Structure the Board to add value

ASX recommends having a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties. The Company had addressed these recommendations as noted below:

A majority of the Board should be independent Directors

Board members

Details of the members of the Board, their experience, expertise, qualifications are set out in the directors' report in pages 9-11. At the date of this report, the Board comprises ten (10) Directors, three (3) being executive Directors and seven (7) being non-executive Directors. Of the seven (7) non-executive directors, one (1) of whom is deemed independent under the principles set out in the Guidelines.

Directors' independence

The Board does not comprise of a majority of independent directors. The non-independent directors have the relevant expertise in the corporate finance, manufacture and world-wide sales & marketing of the product. Whilst this is a departure from the recommendation, the Board believes that the composition of the Board currently brings the right mix of complementary skills, experience and representation for the Company and its shareholders at this point in its life.

The independent directors as of the date of this report are:

- Mr. Kenneth Gross
- Dr Marian Gorecki - *Resigned on March 3, 2011*

Dr. Marian Gorecki remained as an independent director of the Company until his resignation on March 3, 2011.

Independent professional advice

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld. Matters requiring professional independent advice are tabled and discussed at board meetings.

Commitment

The number of meetings of the Company's Board of directors and of each board committee held during the year ended December 31, 2010, and the number of meetings attended by each director is disclosed on page 14. It is the Company's practice to allow its executive directors to accept appointments outside the company with prior written approval of the Chairman.

Conflict of interests

Entities connected with Mr. Kenneth Gross, Mr. Ryszard K. Krauze, Mr. Adam Wilczega, Dr Marian Gorecki, Mr. Marcin Dukaczewski, Mr. Adam Polonek, Ms. Joanna Szymanska-Bulska, Mr. Slawomir Ziegert, Mr. Mateusz Kosecki and Mr. Amol Shah had business dealings with the Group and the Company during the year, as described in note 6 to the financial statements. In accordance with the Board charter, the directors concerned declare their interests in those dealings to the Company and take no part in decisions relating to them or the preceding discussions.

Performance assessment

It is intended that the Board may undertake an annual self-assessment of its collective performance. The process may be facilitated by an independent third party. In addition, each board committee may undertake an annual self assessment on the performance of the committee and achievement of committee objectives.

The Chairman intends when possible to annually assess the performance of individual directors and meet privately with each director and senior executives to discuss this assessment. The Chairman's performance may be reviewed by the Board.

Each year's budget provides for training and education of staff, both internally and externally.

2.1 The Chair should be an independent Director

Mr. Slawomir Ziegert, Chairman of the Board is not an independent director under the principles set out in the Guidelines. Whilst this is a departure from the recommendation, the appointment of Mr. Ziegert, who is the Chief Executive Officer of Bioton S.A., holder of 95.57% of the Company, is vital at this point in time as Mr. Ziegert is well positioned to take an active and effective role to oversee and expedite the restructure, formulate objectives, strategies and long-term plans of the Company.

2.2 The roles of the Chair and Chief Executive Officer should not be exercised by the same individual

The Chairman of the Company was Mr. Ryszard Krauze until his resignation on March 22, 2011. Upon the resignation of Mr. Krauze, Mr. Slawomir Ziegert, the Chief Executive Officer, is appointed as Chairman. Whilst this is a departure from the recommendation, Mr. Ziegert will hold the position of Chairman in the interim period until such time the Company appoints an independent Chairman. The Board are actively looking into the appointment of an independent director to hold the position of Chairman.

2.3 The Board should establish a Nomination Committee

The Company does not have a formally constituted Nomination Committee given the early stage of the Company's development and the complete nature of the Board composition currently. The Board is of the opinion that there would be no efficiencies to be gained in establishing a separate Nomination Committee. The function of reviewing the competencies of directors, appoint and re-appointment of directors, review of board succession and evaluation of the performances of the board and committees is undertaken by the full Board. At such time when the company is well established, a Nomination Committee will be formed and the Board restructured.

2.4 Process for evaluating the performance of the Board, its Committees and individual Directors

The Chairman of the Board is responsible for evaluating Board and individual directors performance annually. To-date, there is no review of the Board and individual directors.

Induction and education

Induction procedures have not been required as all recently appointed directors have been involved with the industry and or with the Company prior to their appointment as directors.

Access to information

The Board is provided access to all documents and information it needs in order to discharge its responsibilities effectively. As directed by the Board, senior executives furnish the board with monthly, quarterly and ad hoc reports on the operations.

The Board and the Company Secretary

The Company Secretary supports the Board by monitoring the Board policy and ensuring that the procedures are followed. The Company Secretary coordinates the completion and despatch of board agenda. The Company Secretary also advises the Board on corporate governance matters.

Principle 3

Promote ethical and responsible decision-making

ASX recommends that the company should actively promote ethical and responsible decision-making. The Company had addressed these recommendations as noted below:

3.1 Establish and Disclosure of a Code of Conduct

The Company has developed a Code of Conduct (the “Code”) which has been reviewed by the Board and will apply to all Directors and employees. The Code will be regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group’s integrity.

In summary, the Code requires that at all times, all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The Company is in the process of reviewing the current policies of the Code of Conduct to include the reporting and investigation of unethical practices. Although the process is not included in the current Code of Conduct, to date, all reports of unethical practices received have been taken seriously by the Board and investigated and action taken if required.

3.2 Policy concerning trading in the Company’s securities

Trading in Company securities is regulated by the Securities and Futures Act and the ASX Listing Rules. The Board makes all Directors, officers and employees aware on the appointment that it is prohibited to trade in the Company’s securities whilst that Director, officer or employee is in the possession of price sensitive information.

For details of shares held by Directors and officers please refer to the Directors’ Report on page 5. Directors are required to report to the Company Secretary any movements in their holdings of Company securities, which are reported to ASX in the required timeframe prescribed by the ASX Listing Rules. The Share Trading Policy can be found on the Company website.

Principle 4

Safeguard integrity in financial reporting

ASX recommends that the Company should have a structure to independently verify and safeguard the integrity of their financial reporting. The Company had addressed these recommendations as noted below:

4.1 The Board should establish an Audit Committee

The Board has established an Audit Committee to assist in the execution of its duties and to allow detailed consideration of complex issues. Matters determined by the Audit Committee are submitted to the Board as recommendations for board decision, as required unless the Board has delegated the authority for a decision to the appropriate committee.

Minutes of Audit Committee meetings are tabled at subsequent board meetings.

4.2 Structure of the Audit Committee

The Audit Committee comprises 3 members:

- Mr. Kenneth Gross (Chairman) (Independent director)
- Dr. Marian Gorecki (Independent director) - *Resigned March 3, 2011*
- Mr. Adam Wilczega (Non-independent director)

The Chairman of the Audit Committee is an independent director. The majority of the committee are independent as defined by the Corporate Governance Council Guidelines. Dr. Marian Gorecki remained on the audit committee until his resignation from the Board of directors on March 3, 2011. The Board are actively looking into the appointment of an independent director to replace Dr. Gorecki on the Audit Committee.

Details of these directors' qualification, expertise, experience and attendance at Audit Committee meetings are set out in the directors' report on pages 9 to 14.

4.3 Charter

The Audit Committee does not have a formal Charter. The Audit Committee is of the opinion that as the Company is in the capital investment stage of its development where most of the transactions are by way of turn key projects, a formal Charter may not be adequate and effective. At such time when the Company's manufacturing facilities are operational and established, a formal Charter will be prepared to set out the role and responsibilities and procedures of the Audit committee.

The Audit Committee meets at least 2 times in a year.

The CEO, Chief Financial Officer ("CFO") and external auditors are invited to attend Audit Committee Meetings at the discretion of the Audit Committee. Time is allocated for the Audit Committee to meet with the external auditors without management being present.

The responsibilities of the Audit Committee are to:

- (a) assist the Board to discharge fiduciary responsibilities with regard to the Company's accounting, control and reporting practices by monitoring the internal control environment and management over corporate assets;
- (b) review internal controls and any changes thereto approved and submitted by the Company's CFO;
- (c) provide assurance regarding the quality and reliability of financial information used by the Board to enable the Board to maintain confidence in the financial reports;
- (d) oversee the activities of the external audit staff of the Company and to review the Company's risk management policies, internal control processes, financials, operating results and accounting policies;
- (e) review and recommend to the Board the adoption of the Company's annual financial statements; and
- (f) liaise with and review the performance of the external auditor, who may be invited to attend Audit Committee meetings to discuss financial matters and business risk.

External auditors

The Company's and Audit Committee's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually, taking into consideration assessment of performance and existing value. Deloitte & Touche LLP were appointed as the external auditors in June 2010.

During the financial year, the external auditors did not render any non-audit services to the Group. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

Principle 5

Make timely and balanced disclosure

ASX recommends that the Company should promote timely and balanced disclosure of all material matters concerning the Company. The Company had addressed these recommendations as noted below:

5.1 Establish written policies to ensure compliance with ASX Listing Rule

Disclosure requirement

All announcements made are reviewed and approved by the Board prior to the release to the market. The CEO, CFO and Senior Vice President & Corporate Secretary have been nominated as the persons responsible for communications with the Australian Stock Exchange (“ASX”). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The Corporate Secretary advises the Board on ASX Listing Rules and Guidance Recommendations matters.

The Company complies with written policies and procedures of the ASX on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company’s securities.

All information disclosed to the ASX is posted on the Company’s website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group’s operations, the material used in the presentation is released to the ASX and posted on the Company’s website.

All shareholders receives a copy of the Company’s annual report unless they have indicated otherwise. In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means. All recent announcements of the Company, media briefings, details of the Company’s meetings, press releases and financial reports are available on the Company’s website www.scigenltd.com.

The website also includes a feedback mechanism and an option for shareholders to register their e-mail address for e-mail updates of the Company’s matters.

Principle 6

Respect the rights of shareholders

ASX recommends that the Company should respect the rights of shareholders and facilitate the effective exercise of those rights. The Company had addressed these recommendations as noted below:

6.1 Communications Policy

The Company has developed a website which contains sections dealing specifically with investor information.

All ASX and other important announcements are published on the website simultaneously with their release into the public domain.

Shareholders can also e-mail the Company and receive updates or answers to specific questions where appropriate.

In terms of external audit, a formal invitation has been extended by the Board to the audit partner at Deloitte & Touche LLP to attend the Annual General Meeting of the Company and through the Chairman, will be available to answer questions relating to the conduct of the audit.

Principle 7

Recognise and manage risk

ASX recommends that the Company establish a sound system of risk oversight and management and internal control. The Company had addressed these recommendations as noted below:

7.1 Policies for oversight and management of material business risks

The Company is committed to the management of risks to protect its employees, assets, earnings, markets, reputation and the environment.

The Board has implemented risk management procedures throughout the Company that aim to identify the sources of risk and loss, quantify the impact of these sources and control and reduce the risk through practical and cost effective control measures. This will continue to be reviewed and enhanced.

In addition, the Company uses risk-financing techniques, including insurance, to reduce the financial impact of any uncontrollable or catastrophic losses.

The Audit Committee of the Board currently accepts the role and responsibility of over seeing the control of financial risk. The committee ensures that adequate internal controls and risk-financing measures (such as insurance) are in place. These measures provide some protection against financial events.

In terms of more general risk management, managers in each country where the Company employs staff are responsible for conforming to local occupational health and safety requirements. Given the relatively small size of the Company and its geographic diversity it is not considered useful to constitute a formal Risk Management Committee at this point.

Further risk policy development will be undertaken in consultation with the Audit Committee and the Board as appropriate.

7.2 Risk Management and internal control system

Risk assessment and management

The Board is responsible for ensuring there are adequate policies in relation to risk oversight and management, and internal control systems. In summary, the Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, addressed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the code of conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Internal Audit

Given the present size of the Company, the Board does not employ an internal auditor.

7.3 Assurances from CEO and CFO

Corporate reporting

The CEO and CFO have made the following certifications in writing to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Group and Company and are in accordance with relevant accounting standards; and
- that the above statements are founded on a sound system of risk management and internal compliance and control and which implement the policies adopted and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material aspects.

Principle 8

Remunerate fairly and responsibly

ASX recommends that the Company should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear. The Company had addressed these recommendations as noted below:

8.1 Remuneration Committee

The Remuneration Committee currently consists of the following non-executive directors:

Dr. Marian Gorecki (Chairman) - *Resigned March 3, 2011*

Mr. Ryszard Krauze – *Resigned March 22, 2011*

Mr. Adam Aleksandrowicz – *Appointed March 3, 2011*

Mr. Marcin Dukaczewski – *Appointed March 22, 2011*

Mr. Adam Tomasz Polonek – *Appointed March 22, 2011*

The Remuneration Committee should comprise entirely of non-executive directors and be chaired by an independent Director. Dr. Marian Gorecki and Mr. Ryszard Krauze remained on the Remuneration Committee until their resignations on March 3, 2011 and March 22, 2011 respectively. Whilst this is a departure from the recommendation, the Board believes that the new Committee have the knowledge and experience on remunerations in the biopharmaceutical industry.

Until now, the Remuneration Committee was responsible mainly for the review and recommendation of the remuneration of the CEO. Given the size of the Company and the only function of the Remuneration Committee, there is no formal charter for the role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. The Remuneration Committee is in the process of reviewing the scope of the Remuneration Committee and will be preparing a formal Charter and when adopted, it will be made available on the Company's website.

Matters determined by the Remuneration Committee are submitted to the Board as recommendations for board decision, as required unless the Board has delegated the authority for a decision to the appropriate committee.

Details of these directors' qualifications, experience and attendance at Remuneration Committee meetings are set out in the directors' report on pages 9 to 14. During the year, the Remuneration Committee did not meet.

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive and non-executive directors.

Further information on directors' remuneration is set out in the directors' report on pages 16 to 19 and Note 6 to the financial statements.

8.2 Distinguish the structure of non-executive Director's remuneration from that of executives

Current remuneration packages of executive directors and senior executives include a balance between fixed and incentive pay. The incentives are payable upon achievement of certain short term and long term objectives. Non-executive directors, if paid, receive a fixed fee.

The twelve months report of the Company contains detailed information of the remuneration of directors and senior executives. This information includes references to share option allocations.

The Remuneration Committee and the Board will review the term of any proposed scheme for the retirement benefits, other than the statutory superannuation, for non-executive directors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SCIGEN LTD

Report on the Financial Statements

We have audited the accompanying financial statements of SciGen Ltd (the Company) and its subsidiaries (the Group) which comprise the statements of financial position of the Group and the Company as at December 31, 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 35 to 91.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Bases for Qualified Auditor's Opinion

- (a) As disclosed in Note 10 to the financial statements, the Group has included net assets of a disposal group classified as held-for-sale and the Company has included non-current assets classified as held-for-sale as at December 31, 2010 amounting to US\$10,000,000 and US\$11,652,000, respectively. As further set out in Note 10, the carrying amount of the Group's net assets relating to a disposal group and the Company's non-current assets classified as held-for-sale is stated at fair value less costs to sell, which is based on management's estimate of the transaction price. Singapore Financial Reporting Standard ("FRS") 105 *Non-current Assets Held-for-Sale* requires an entity to measure a disposal group and non-current assets classified as held-for-sale at lower of its carrying amount and fair value less costs to sell. We have been unable to obtain sufficient appropriate audit evidence to support the management's assessment of the fair value less costs to sell of the Group's net assets of a disposal group classified as held-for-sale and the Company's non-current assets classified as held-for-sale and, accordingly, we have been unable to determine whether the fair value less costs to sell of these assets as at December 31, 2010 is at least equal to its carrying amount. In the event that the carrying amount of these assets exceeds the fair value less costs to sell, it would be necessary for the carrying amount of these assets to be written down.
- (b) As disclosed in Note 3(a) to 3(c) to the financial statements, the recoverability of the carrying amounts of the following non-current assets is dependent on the ability of the Group and of the Company to achieve certain matters.
- i. The non-current assets of the Group totaling US\$21,560,000 comprising property, plant and equipment amounting to US\$13,280,000 (Note 11) of a subsidiary in India and intangible assets which represent licences amounting to US\$8,280,000 (Note 12) of the Company; and
 - ii. The non-current assets of the Company totaling US\$32,440,000 comprising investment in a subsidiary in India amounting to US\$24,160,000 (Note 16) and intangible assets which represent licences amounting to US\$8,280,000 (Note 12) of the Company.
- FRS 36 *Impairment of Assets* requires an asset to be carried at no more than its recoverable amount. As disclosed in Note 3(a) to 3(c) to the financial statements, significant assumptions were used by management to estimate the recoverable amounts of the non-current assets stated in (i) and (ii) above. We have been unable to obtain sufficient appropriate audit evidence to support management assumptions used to project the revenues which are used to assess the recoverable amount of these assets and, accordingly, we have been unable to determine whether the recoverable amounts of these non-current assets are at least equal to their carrying amounts. In the event that the carrying amounts of the assets exceed their recoverable amount, it would be necessary for the carrying amounts of the assets to be written down to their recoverable amounts.
- (c) During the course of our audit, we identified several instances of unrecorded capital expenditure for construction in progress which was incurred by a subsidiary in India in 2007 and 2008 but was recorded subsequent to the financial year ended December 31, 2010. We are unable to obtain sufficient appropriate evidence over completeness of accruals for construction in progress cost incurred recorded, included in other payables amounting to US\$2,394,157 for the Group and, accordingly we are unable to determine the adjustments required for the prior years and current year construction in progress and other payables for the Group.

Qualified Auditor's Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Auditor's Opinion section, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the carrying amounts of these assets and liabilities stated in the financial statements, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2010 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Other Matters

The financial statements of the Company and the Group for the year ended December 31, 2009 were audited by another auditor who expressed unmodified opinion on the financial statements in their report dated March 30, 2010.

As disclosed in Note 31, the management has restated the comparative figures for the year ended December 31, 2009 in order to correct certain prior period errors. As these errors were discovered by the management subsequent to the issuance of the interim financial statements for the six months period ended June 30, 2010, these adjustments have not been effected in those interim financial statements to correct the errors for both the six month periods ended June 30, 2010 and 2009 as well as the balances as of December 31, 2009 and June 30, 2010. Management is currently taking steps to quantify the errors and to revise the interim financial statements for the six months period ended June 30, 2010.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the effect of the matters described in the Bases for Qualified Auditor's Opinion section, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants
Singapore

March 31, 2011

SCIGEN LTD AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION December 31, 2010

	Note	2010 US\$'000	Group 2009 US\$'000 (Restated)	2008 US\$'000 (Restated)	Company 2010 US\$'000	Company 2009 US\$'000
<u>ASSETS</u>						
Current assets						
Cash and cash equivalents	7	3,926	4,889	6,092	932	1,127
Trade and other receivables	8	4,330	4,176	7,598	2,396	4,411
Inventories	9	<u>1,079</u>	<u>2,636</u>	<u>1,260</u>	<u>189</u>	<u>130</u>
		9,335	11,701	14,950	3,517	5,668
Assets classified as held-for-sale	10	<u>10,800</u>	<u>1,051</u>	-	<u>11,652</u>	-
Total current assets		<u>20,135</u>	<u>12,752</u>	<u>14,950</u>	<u>15,169</u>	<u>5,668</u>
Non-current assets						
Property, plant and equipment	11	22,792	31,593	45,304	84	93
Intangible assets	12	14,266	20,508	29,827	13,884	20,303
Lease prepayment	13	826	817	1,299	-	-
Investment property	14	-	245	249	-	-
Long term prepayment		-	-	226	-	-
Deferred tax assets	15	7,540	12	12	7,366	-
Subsidiaries	16	-	-	-	<u>30,771</u>	<u>43,243</u>
Total non-current assets		<u>45,424</u>	<u>53,175</u>	<u>76,917</u>	<u>52,105</u>	<u>63,639</u>
Total assets		<u>65,559</u>	<u>65,927</u>	<u>91,867</u>	<u>67,274</u>	<u>69,307</u>
<u>LIABILITIES AND EQUITY</u>						
Current liabilities						
Trade and other payables	17	21,711	19,807	16,812	16,953	14,966
Bank loans	18	-	-	7	-	-
Current tax payable		-	55	126	-	-
		<u>21,711</u>	<u>19,862</u>	<u>16,945</u>	<u>16,953</u>	<u>14,966</u>
Liabilities directly associated with assets classified as held-for-sale	10	<u>800</u>	-	-	-	-
Total current liabilities		<u>22,511</u>	<u>19,862</u>	<u>16,945</u>	<u>16,953</u>	<u>14,966</u>
Non-current liabilities						
Other payables	17	7,370	6,022	4,683	7,370	6,022
Bank loans	18	11	17	123	-	-
Loan from ultimate holding company	18	73,727	71,127	61,644	73,727	71,127
Convertible debenture	18	<u>743</u>	-	-	-	-
Total non-current liabilities		<u>81,851</u>	<u>77,166</u>	<u>66,450</u>	<u>81,097</u>	<u>77,149</u>
Capital, reserves and non-controlling interests						
Share capital	19	42,530	42,530	42,530	42,530	42,530
Share option reserve		-	-	1,600	-	-
Translation reserves	20	1,313	(1,051)	(3,300)	-	-
Accumulated losses		<u>(86,554)</u>	<u>(76,801)</u>	<u>(38,166)</u>	<u>(73,306)</u>	<u>(65,338)</u>
Equity attributable to owners of the company		<u>(42,711)</u>	<u>(35,322)</u>	<u>2,664</u>	<u>(30,776)</u>	<u>(22,808)</u>
Non-controlling interests		<u>3,908</u>	<u>4,221</u>	<u>5,808</u>	-	-
Net (capital deficiency) equity		<u>(38,803)</u>	<u>(31,101)</u>	<u>8,472</u>	<u>(30,776)</u>	<u>(22,808)</u>
Total liabilities and equity		<u>65,559</u>	<u>65,927</u>	<u>91,867</u>	<u>67,274</u>	<u>69,307</u>

See accompanying notes to financial statements.

SCIGEN LTD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended December 31, 2010

	<u>Note</u>	<u>Group</u> <u>2010</u> US\$'000	<u>2009</u> US\$'000
Revenue	21	12,369	11,251
Other income	22	525	251
Changes in inventories of finished goods		520	1,145
Purchases		(5,558)	(6,076)
Employee benefits expense	21	(6,143)	(7,192)
Depreciation of property, plant and equipment	11	(1,570)	(901)
Depreciation of investment property		-	(30)
Amortisation of lease prepayment	13	(17)	(46)
Amortisation of intangible assets	12	(407)	(527)
Impairment loss on property, plant and equipment	11	(6,080)	(17,829)
Impairment loss on intangible assets	12	(2,730)	(6,842)
Write-off of property, plant and equipment	11	-	(1,960)
Write-off of intangible assets	12	(5)	(3,479)
Gain on disposal of property, plant and equipment, Investment property and asset-held-for-sale	24	411	-
Other operating expenses	23	(7,172)	(8,904)
Finance income	25	46	535
Finance expense	25	<u>(1,851)</u>	<u>(1,445)</u>
Loss before income tax		(17,662)	(42,049)
Income tax credit	26	<u>7,464</u>	<u>89</u>
Loss for the year	24	<u>(10,198)</u>	<u>(41,960)</u>
Exchange differences on translating foreign operations, representing other comprehensive income for the period, net of tax		<u>2,496</u>	<u>2,249</u>
Total comprehensive losses for the year		<u>(7,702)</u>	<u>(39,711)</u>
Loss for the year attributable to:			
Equity holders of the Company		(9,753)	(40,235)
Non-controlling interests		<u>(445)</u>	<u>(1,725)</u>
Loss for the year		<u>(10,198)</u>	<u>(41,960)</u>
Total comprehensive losses attributable to:			
Equity holders of the Company		(7,389)	(37,986)
Non-controlling interests		<u>(313)</u>	<u>(1,725)</u>
Total comprehensive losses for the year		<u>(7,702)</u>	<u>(39,711)</u>
Loss per share			
Basic loss per share (cents)	27	<u>1.766</u>	<u>7.285</u>

Note: There is no tax effect on the component indicated in the other comprehensive income.

See accompanying notes to financial statements.

SCIGEN LTD AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY Year ended December 31, 2010

Group	Share capital US\$'000	Translation reserves US\$'000	Share option reserve US\$'000	Accumulated losses US\$'000	Attributable to equity holders of the company US\$'000	Non- controlling interests US\$'000	Total US\$'000
At January 1, 2009 (As previously reported)	42,530	(3,300)	1,600	(34,351)	6,479	5,808	12,287
Correction of errors (Note 31)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,815)</u>	<u>(3,815)</u>	<u>-</u>	<u>(3,815)</u>
At January 1, 2009 (As restated)	42,530	(3,300)	1,600	(38,166)	2,664	5,808	8,472
Correction of errors (Note 31)	-	-	-	(1,598)	(1,598)	-	(1,598)
Total comprehensive income/(loss) for the year	-	2,249	-	(38,637)	(36,388)	(1,725)	(38,113)
Contribution by minority shareholders	-	-	-	-	-	138	138
Equity-settled share-based payment transactions	<u>-</u>	<u>-</u>	<u>(1,600)</u>	<u>1,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
At December 31, 2009 (As restated)	42,530	(1,051)	-	(76,801)	(35,322)	4,221	(31,101)
Total comprehensive income/(loss) for the year	<u>-</u>	<u>2,364</u>	<u>-</u>	<u>(9,753)</u>	<u>(7,389)</u>	<u>(313)</u>	<u>(7,702)</u>
At December 31, 2010	<u>42,530</u>	<u>1,313</u>	<u>-</u>	<u>(86,554)</u>	<u>(42,711)</u>	<u>3,908</u>	<u>(38,803)</u>

See accompanying notes to financial statements.

SCIGEN LTD AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2010

<u>Company</u>	Share capital US\$'000	Share option reserve US\$'000	Accumulated losses US\$'000	<u>Total</u> US\$'000
At January 1, 2009	42,530	1,600	(36,332)	7,798
Total comprehensive loss for the year	-	-	(30,606)	(30,606)
Equity-settled share-based payment transactions	<u>-</u>	<u>(1,600)</u>	<u>1,600</u>	<u>-</u>
At December 31, 2009	42,530	-	(65,338)	(22,808)
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>(7,968)</u>	<u>(7,968)</u>
At December 31, 2010	<u>42,530</u>	<u>-</u>	<u>(73,306)</u>	<u>(30,776)</u>

See accompanying notes to financial statements.

SCIGEN LTD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended December 31, 2010

	<u>2010</u> US\$'000	<u>2009</u> US\$'000 (Restated)
Operating activities		
Loss before income tax	(17,662)	(42,049)
Adjustments for:		
Depreciation of property, plant and equipment	1,570	902
Depreciation of investment property	-	30
Amortisation of lease prepayment	17	46
Amortisation of intangible assets	407	527
Gain on disposal of property, plant and equipment	(1)	-
Gain on disposal of investment property	(407)	-
Gain on disposal of asset held-for-sale	(3)	-
Allowance for doubtful debts	274	-
Intangible assets written-off	5	3,479
Property, plant and equipment written off	-	1,960
Interest income	(46)	(22)
Interest expenses	1,552	1,445
Impairment loss on property, plant and equipment	6,080	17,829
Impairment loss on intangible assets	2,730	6,842
Net foreign exchange losses	299	-
Operating cash flow before movement in working capital	<u>(5,185)</u>	<u>(9,011)</u>
Inventories	(593)	(1,376)
Trade and other receivables	(436)	3,658
Trade and other payables	<u>3,271</u>	<u>5,903</u>
Cash used in operations	<u>(2,943)</u>	<u>(826)</u>
Income taxes paid	<u>(119)</u>	<u>-</u>
Net cash flows used in operating activities	<u>(3,062)</u>	<u>(826)</u>
Investing activities		
Interest received	46	22
Purchase of property, plant and equipment	(2,164)	(8,357)
Purchase of intangible assets	(514)	(1,284)
Proceeds from disposal of investment property	615	-
Proceeds from disposal of property, plant and equipment	4	-
Proceeds from disposal of asset held-for-sale	<u>1,054</u>	<u>-</u>
Net cash flows used in investing activities	<u>(959)</u>	<u>(9,619)</u>
Financing activities		
Interest paid	(80)	(18)
Repayment of bank loans	(8)	(132)
Loans from ultimate holding company	2,600	9,500
Debenture loan	750	-
Capital contribution by minority shareholders of a subsidiary	-	138
Net cash flows from financing activities	<u>3,262</u>	<u>9,488</u>
Net decrease in cash and cash equivalents	(759)	(957)
Cash and cash equivalents at beginning of the year	4,889	6,092
Effect of exchange rate fluctuations on cash held	<u>(204)</u>	<u>(246)</u>
Cash and cash equivalents at end of the year	<u><u>3,926</u></u>	<u><u>4,889</u></u>

See accompanying notes to financial statements.

SCIGEN LTD AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1 GENERAL

The Company (Registration Number. 199805796R) is incorporated in the Republic of Singapore with its principal place of business and registered office is located at 152 Beach Road, #26-07/08 Gateway East, Singapore 189721.

The Company is listed on the Australian Stock Exchange. The consolidated financial statements are presented in United States dollars, which is the Company's functional currency and rounded to the nearest thousand (\$'000), unless stated otherwise.

The principal activities of the Group and Company are those relating to the manufacture and distribution of biopharmaceutical products under exclusive licensing arrangements.

The Group had a net loss of US\$10,198,000 (2009 : US\$41,960,000) for the year ended December 31, 2010, and, as of that date, the Group had net current liabilities of US\$2,376,000 (2009 : US\$7,110,000) and capital deficiency of US\$38,803,000 (2009 : US\$31,101,000).

The Group and the Company are dependent on Bioton S.A., the ultimate holding company, for continued financial support to enable the Group and the Company to operate as going concerns and to discharge the obligations as and when they fall due. The management is satisfied that financial support will be available when required.

Additional loans were provided by the ultimate holding company during the year amounting to US\$2,600,000. The ultimate holding company has also undertaken that it will not demand for settlement of the loans granted to the Company of US\$73,727,000 (2009 : US\$71,127,000), within the next twelve months, which are due for repayment on December 31, 2015.

Accordingly, the financial statements of the Group have been prepared assuming that the Group and the Company will continue as going concerns and do not include any adjustments relating to recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that might result if the going concern basis is found to be inappropriate.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2010 were authorised for issued by the Board of Directors on March 31, 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”).

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are relevant to its operations and effective for annual periods beginning on or after January 1, 2010. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group and Company’s accounting policies and has no material effect on the amounts reported for the current or prior years.

FRS 27 (Revised) Consolidated and Separate Financial Statements and FRS 103 (Revised) Business Combinations

FRS 27 (Revised) is effective for annual periods beginning on or after July 1, 2009. FRS 103 (Revised) is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009.

Apart from matters of presentation, the principal amendments to FRS 27 that will impact the Group concern the accounting treatment for transactions that result in changes in a parent’s interest in a subsidiary. It is likely that these amendments will significantly affect the accounting for such transactions in future accounting periods, but the extent of such impact will depend on the detail of the transactions, which cannot be anticipated. The changes will be adopted prospectively for transactions after the date of adoption of the revised Standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

Similarly, FRS 103 is concerned with accounting for business combination transactions. The changes to the Standard are significant, but their impact can only be determined once the detail of future business combination transactions is known. The amendments to FRS 103 will be adopted prospectively for transactions after the date of adoption of the revised Standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRSs that are relevant to the Group and the Company were issued but not effective:

- *Improvements to Financial Reporting Standards* (issued in October 2010)
- FRS 24 (Revised) *Related Party Disclosures*
- Amendment to FRS 32 *Financial Instruments: Presentation* – Amendments relating to Classification of Rights Issues
- INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to FRS 107 *Financial Instruments: Disclosures* (as part of Improvements to FRSs issued in 2010)

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the other FRSs, INT FRSs and amendments to FRSs issued but not effective at the date of authorisation of the financial statements will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

FRS 24 (Revised) Related Party Disclosures

FRS 24 (Revised) Related Party Disclosures is effective for annual periods beginning on or after January 1, 2011. The revised Standard clarifies the definition of a related party and consequently additional parties may be identified as related to the reporting entity.

In addition, the revised Standard provides partial exemption for government-related entities, in relation to the disclosure of transactions, outstanding balance and commitments. Where such exemptions apply, the reporting entity has to make additional disclosures, including the nature of the government's relationship with the reporting entity and information on significant transactions or group of transactions involved.

In the period of initial adoption, the changes to related party disclosures, if any, will be applied retrospectively with restatement of the comparative information.

INT FRS 119 Extinguishing Financial Liabilities with Equity Instruments

INT FRS 119 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. In particular, under INT FRS 119, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

Amendments to FRS 107 Financial Instruments: Disclosures (as part of Improvements to FRSs issued in 2010)

The amendments to FRS 107 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The Group has applied the amendments in advance of their effective date (annual periods beginning on or after January 1, 2011). The amendments have been applied retrospectively.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquire, and equity interests issued by the Group in exchange for control of the acquire. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date except for deferred tax assets or liabilities which are recognised and measured in accordance with FRS 12 Income Taxes.

The interest of the non-controlling shareholders in the acquire is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

FINANCIAL INSTRUMENT - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instrument other than those financial instruments “at fair value through profit or loss”.

Financial assets

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables”. Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flow from the asset expire or it transfers the financial asset and substantially all of the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing from such proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term payable when the recognition of interest would be immaterial.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Convertible debentures

Convertible debentures are regarded as compound instruments, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term on the same basis as the lease income.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NON-CURRENT ASSETS HELD FOR SALE - Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives using the straight-line method on the following bases:

Leasehold building	-	40 years
Plant and machinery	-	5 years
Office furniture and fittings	-	5 to 10 years
Office equipment	-	3 to 5 years
Motor vehicle	-	5 years

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

INVESTMENT PROPERTY - Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at its costs, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in fair value of investment property are included in profit or loss for period in which they arise.

INTANGIBLE ASSETS -

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Internally-generated intangible assets - research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development costs is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which it belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Profit sharing

Profit sharing revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Profit sharing determined on a time basis are recognised on a straight-line basis over the period of the agreement. Profit sharing agreements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Rental income

The Group's policy for recognition of revenue from operating leases is described above.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and state schemes where the Group's operations are located, are dealt with as payments to defined contribution plans where the company's obligation under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the company operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in United States dollars, which is the functional currency of the Company and presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In application of the Group's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 estimates 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.

Critical judgements in applying the company's accounting policies

Management did not make judgements that will have significant effect on the amounts recognised in the financial statements apart from those involving estimations which are dealt with below and in other notes to the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below.

(a) Impairment of property, plant and equipment

The Group has substantial investments in property, plant and equipment for its manufacturing facilities in Israel, India and China. Each of these manufacturing facilities, including the related property, plant and equipment, is a separate cash-generating unit.

Impairment loss is recognised when events and circumstances indicate that the Group and the Company's property, plant and equipment may be impaired and the carrying amounts of the property, plant and equipment exceed their recoverable amounts.

The recoverable amounts of the cash-generating units (the manufacturing facilities) were estimated based on its value in use, assuming that the commercial production would commence in 2012 for India (2009 : commence in 2010 for Israel, India and China). In 2010, the commercial production in Israel has commenced as well as the secondary packaging validation batches in China. The value in use calculations use cash flow projections based on cash flows over the period of 10 – 15 years with terminal value (estimated useful life of the licences used at the facilities). Discount rate of 12.2% (2009 : ranging from 12.5% to 22.5%) per annum were used in discounting the projected cash flows. In addition to the risk free rate of return, management has considered additional risk factors such as market risks, execution risks and industry risks. The discount rate 12.2% per annum used in the cash flow projections is the Company's weighted average cost of capital.

Key assumptions used in the value in use calculation include forecasted sales revenue, which is based on management's estimation of units of production and sales as compared to the external information on the estimated size of markets in the various countries and were extrapolated using a constant or nil growth rate. Product sale prices were assumed to be constant based on management's current estimate of the prices, which was based on an analysis of the market price trends in the industry. The assumptions are in line with management's understanding of the current economic conditions, and the business environment in the pharmaceutical industry and countries in which the Group operates.

Management believes that this forecast period was justified due to the long-term nature of the biopharmaceutical industry. As the products to be produced in SciGen facilities are generic products, management believes that these products would be able to generate revenue and future cash flows for a period of up to 10 – 15 years, with a terminal value.

The values assigned to the key assumptions represent management's assessment of future trends in the Group's manufacturing and distribution of biopharmaceutical products business and are based on both external sources and internal sources (historical data).

Based on the above data and assumptions, which were used to determine the value in use of the facilities in India and China, supported by the signing of JV agreement in India, the management assessment confirms the non-impairment for India and China facilities during the year ended December 31, 2010.

During the year ended December 31, 2010, the Group impairment losses amounting to approximately US\$6.1 million for Israel (2009 : US\$17 million for Israel and India) facilities have been recognised in relation to as follows:

Israel

Based on management's assessment of the recoverable amount of the cash-generating unit, an impairment loss of US\$6.1 million (2009 : US\$13 million) have been recognised to the property, plant and equipment of the subsidiary in Israel.

India

In 2009, as the assets of the India's facility were idle, the Company had obtained a valuation (prepared on a direct replacement cost basis) for the property, plant and equipment that were capitalised as the assets are specialised in nature and there is no active market for the assets. Consequently, these assets have been recorded at its recoverable amount as at December 31, 2009 following the recognition of approximately US\$4 million of impairment loss to profit and loss for the year ended December 31, 2009. Management has re-assessed the above-mentioned valuation report and to better reflect the recoverable amount which is based on value-in-use of the asset, a reversal of impairment loss amounting to US\$0.5 million was recognised to profit and loss for the year ended December 31, 2010. The recoverable amount is estimated by the management using discounted cash flow model as disclosed in Note 3(d).

China

Based on the management assessment of the recoverable amount of the cash generating unit, no impairment required. The recoverable amount is estimated by the management using discounted cash flow model as disclosed in Note 3(d).

The carrying amounts of the Group and the Company's property, plant and equipment are disclosed in Note 11 to the financial statements.

(b) Impairment of intangible assets

The Group has substantial investments in intangible assets, which mainly comprise of licences and the related development costs. Each of these licences, including the related development costs, is a separate cash-generating unit.

Impairment loss is recognised when events and circumstances indicate that the Group and the Company's intangible assets may be impaired and the carrying amounts of the intangible assets exceed their recoverable amounts.

The recoverable amounts of the cash-generating units (the licences and development costs) were estimated based on its value in use for all products other than for Sci-B VacTM. Value in use was determined by discounting the future cash flows generated from the continuing use of the cash-generating units and was based on the following key assumptions:

- Key assumptions used in the value in use calculation include forecasted sales revenue, which is based on management's estimation of units of production and sales as compared to the external information on the estimated size of markets in the various countries. Product sale prices were assumed to be constant based on management's current estimate of the prices, which was based on an analysis of the market price trends in the industry. The assumptions are in line with management's understanding of the current economic conditions, and the business environment in the pharmaceutical industry and countries in which the Group operates.
- Cash flows were projected based on actual operating results and the financial budgets for the period of the estimated useful life of the respective licences of 10-20 years from the date of registration.
- Cash flow forecasts were estimated based on management's assessment of the external information on the estimated size of markets in the various countries.
- Management believes that this forecast period was justified due to the long-term nature of the biopharmaceutical industry. As the licenced products are generic products, management believes that these licenced products would be able to generate revenue and future cash flows for a period of up to 20 years.
- Product prices were assumed to be constant based on management's current estimate of the prices, which was based on an analysis of the market price trends in the industry.
- All assumptions are in line with management's understanding of the current economic conditions, and the business environment in the pharmaceutical industry and countries in which the Group operates.
- Pre-tax discount rates of 12.2% (2009 : 12.5% to 22.5%) per annum were applied in determining the recoverable amounts of the licences. In addition to the risk free rate of return, management has considered additional risk factors such as market risk, execution risk and industry risk. The pre-tax discount rates of 12.2% (2009 : 12.5% to 22.5%) per annum is the Company's weighted average cost of capital.
- The values assigned to the key assumptions represent management's assessment of future trends in the Group's manufacturing and distribution of biopharmaceutical products business and are based on both external sources and internal sources (historical data).
- For licenses and development costs of SciLinTM, the recoverable amount estimated by management using the discounted cash flow model disclosed in Note 3(d).

The carrying amounts of the Group and the Company's intangible assets are disclosed in Note 12 to the financial statements.

Impairment loss for licence and development costs of Sci-B-Vac™

The directors and management consider that, in arriving at the above estimates, they have made the best assessment they can, taking into account the conditions prevailing at December 31, 2010 and current information available to them, including a conservative estimate its net realisable value.

At the reporting date, the Sci-B-Vac™ licence is presented as held-for-sale following the decision to dispose these assets and focus on recombinant human insulin as its core product and investing in the development of insulin-related products. Based on the estimated value to sell, the management is of the opinion that the carrying amounts of the Group and the Company's licences and development costs relating to Sci-B-Vac™ is higher than its recoverable amount. As a result, an impairment loss of US\$2,730,000 was recognised to profit or loss for the year ended December 31, 2010.

(c) Impairment of subsidiaries

The Company maintains impairment losses at a level considered adequate to provide for potential non-recoverability of investment in subsidiaries. The level of allowance is evaluated by the Company on the basis of factors that affect the recoverability of the investments. These factors include, but are not limited to, the activities and financial position of the entities and market factors. The Company reviews and identifies balances that are to be impaired on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgement or utilised different estimates. An increase in the Company's impairment losses would increase the Company's recorded other operating expenses and decrease the carrying value of investment in subsidiaries. The carrying amount of the investments in subsidiaries are reflected in Note 16.

Assessment of recoverability of investment in SciGen BioPharma Private Ltd

In determining whether the investment in SciGen BioPharma Private Ltd is impaired requires an estimation of the value-in-use. The value-in-use requires the management to estimate the future cash flows expected to arise from the subsidiary and a suitable discount rate of 12.2% (2009 : 12.5% to 22.5%) per annum in order to calculate the present value. The calculation of the value in use of the investment in India facility was based on the publicly available and third party data like demographics data of UN Statistics Division or diabetes prevalence data of International Diabetes Federation, IDF Diabetes Atlas 2010 as well as management assumptions. The market model is based on the development of the number of patients per each market which are derived from data on population, diabetes prevalence, patients diagnosed and treated, plus share of treated with human and analogs insulin. The market value is based on the market volume of units sold as well as its price per unit and the growth rates. The assumed sales per market is based on the assumed market shares in each year and every market at the level which take into account current presence of the insulin product on the market, competitive environment, targeted market share and competitive strength of the potential distributor which can be a Big Pharma company or local distributor.

Sensitivity Analysis on the non-current asset of the Group and the Company

Detailed sensitivity analysis has been carried out and management is confident that the carrying amount of the non-current assets will be recovered in full. These non-current assets include:

- i. The non-current assets of the Group totaling US\$21,560,000 comprising of the property, plant and equipment amounting to US\$13,280,000 (Note 11) and intangible assets which represent licences amounting to US\$8,280,000 (Note 12); and
- ii. The non-current assets of the Company totaling US\$32,440,000 comprising of the investment in a subsidiary amounting to US\$24,160,000 (Note 16) and intangible assets which represent licences amounting to US\$8,280,000 (Note 12).

The management closely monitored, and adjustments will be made in future periods, if future market activity indicates that such adjustments are appropriate. Should the assumed volume of units sold by the Group decrease by 5% the impairment loss will increase by US\$2,410,000 period. There is no impairment loss required for the Group if the assumed volume of units sold by the Group increases by 5%.

Impairment loss on loans due from SciGen (I.L.) Ltd and transfer to assets held for sale

At the reporting period, the investment in SciGen (I.L.) Ltd is transferred to assets held for sale following the decision aimed at focusing on recombinant human insulin as the Group's core product and investing in the development of insulin-related products. Based on management's assessment of conservative estimate of the potential sale transaction price, an impairment loss of approximately US\$6,080,000 (2009 : US\$13,310,000) have been recognised to profit or loss during the year.

(d) Useful lives of property, plant and equipment

The carrying amount of the property, plant and equipment is depreciated on a straight-line basis over the remaining useful life of each property, plant and equipment. Management reviews and revises the estimates of the remaining useful life and residual values of the property, plant and equipment at the end of each reporting period based on their age and condition at that time. Changes in the way the property, plant and equipment are used and other factors (such as market or technological factors) could impact the useful life and residual values of the property, plant and equipment, therefore future depreciation charges could be revised. Any changes in the useful life and residual values of the property, plant and equipment would impact the depreciation charges and consequently affect the Group's and the Company's results.

During the year, there were no changes in useful lives or residual values of the Group's property, plant and equipment.

(e) Assessment of recoverability of debts

The assessment of the recoverability of debts of the Group and the Company is based on the on-going evaluation of collectability and ageing analysis of outstanding debts and on management's estimate of the ultimate realisation of these debts, including credit worthiness and the past collection history of each debtor. Management has evaluated the recovery of these debts based on each estimate and is confident that the allowance for doubtful debts, where necessary is adequate.

The carrying amounts of trade and other receivables at the end of the reporting period are disclosed in Note 8 to the financial statements.

(f) Allowance for inventories

Management reviews the inventory age listing on a periodic basis to identify aged inventory. This review involves comparison of the carrying value of the inventory items with the respective net realisable values. The purpose is to ascertain whether an allowance is required to be made in the financial statements for any obsolete and slow-moving items as well as write-downs of inventories to net realisable values. In addition, physical counts on all inventories are carried out on a periodic basis in order to determine whether an allowance is required to be made in respect of any obsolete and defective inventories identified. Management is satisfied that adequate allowance for obsolete and slow-moving inventories has been made in the financial statements.

The carrying amount of inventories is disclosed in Note 9 to the financial statements.

(g) Share application costs in subsidiary

SciGen BioPharma Pvt Ltd ("SciGen BioPharma"), incorporated in India, a wholly-owned subsidiary of the Company. SciGen BioPharma received several tranches of remittances from the Company since 2006, without share allotment being made against the funds received.

In order to comply with the provision of Reserve Bank of India ("RBI"), SciGen BioPharma has filed the relevant forms with RBI for the allotment of shares in November 2009 and April 2010. In view of the late submission of the share application forms, SciGen BioPharma is liable to a penalty, payable to RBI. Based on the prevailing practices and matters dealt with by RBI, the Management assessed the penalty at 5% of the sum involved. An accrual of US\$1,032,000 (2009 : US\$1,000,000) in respect of the penalty is recognised in the statement of financial position of the Group at the end of the reporting period. Management is of the view that the amount provided in the financial statements of the Group as at the end of the reporting period is adequate and based on best estimate to settle the obligation to RBI, if any. Additional penalty may be payable. However, no additional provision has been made in the financial statements, as it is currently impracticable to determine the amount of liability, if any, arising for future potential penalty.

(h) Deferred tax assets valuation

At the end of the reporting period, the Group and the Company recognised deferred tax assets amounting to US\$7,540,000 and US\$7,366,000 respectively. The deferred tax assets are recognised for unused tax losses and some temporary tax differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Company has expected profits from the ultimate holding company for a contract with fixed annual sale for the next seven years with projected net profit of US\$53 million. Management is of the view that the recognition of deferred tax assets are appropriate.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	<u>5,555</u>	<u>7,589</u>	<u>3,154</u>	<u>5,410</u>
Financial liabilities				
Amortised cost	<u>102,819</u>	<u>96,973</u>	<u>98,050</u>	<u>92,115</u>

b) Financial risk management policies and objectives

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) Foreign exchange risk management

The Group transacts business in various foreign currencies and therefore is exposed to foreign exchange risk. The Group manages its exchange risk by monitoring the movements in exchange rate regularly. The Group does not enter into any forward contracts to hedge its exposure to movement in exchange rate.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currency are as follows:

	<u>Group</u>				<u>Company</u>			
	<u>Assets</u>		<u>Liabilities</u>		<u>Assets</u>		<u>Liabilities</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US \$'000	US\$'000	US\$'000	US\$'000	US\$'000
United States dollars	-	417	743	-	-	-	-	-
Singapore dollar	284	227	448	218	284	227	448	218
Australian dollar	24	29	4	-	24	29	4	-
Hong Kong dollars	-	15	-	-	-	15	-	-
Euro	-	-	975	11	-	-	11	11
Philippine Peso	<u>-</u>	<u>81</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81</u>	<u>-</u>	<u>-</u>

Foreign currency sensitivity

The sensitivity rate used when reporting foreign currency risk to key management personnel is 10%, which is the change in foreign exchange rate that management deems reasonably possible which will affect outstanding foreign currency denominated monetary items at year end.

If the relevant foreign currency strengthens by 10% against the functional currency of the each group entity, profit and loss will increase (decrease) by:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
United States dollars	(74)	42	-	-
Singapore dollar	(16)	1	(16)	1
Australian dollar	2	3	2	3
Hong Kong dollar	-	2	-	2
Euro	(98)	(1)	(1)	(1)
Philippine Peso	<u>-</u>	<u>8</u>	<u>-</u>	<u>8</u>

If the relevant foreign currency weakens by 10% against the functional currency of the company, there would be an equal and opposite impact on the profit or loss.

(ii) Interest rate risk management

Interest rate risk refers to the risk experienced by the company as a result of the fluctuation in interest rate.

The Group's exposure to changes in interest rates relates primarily to its interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

Summary quantitative data of the Group's and the Company's interest-bearing financial instruments can be found in section (iv) of the Note.

Interest rate risk

The Group has substantial borrowings with variable interest rates and is therefore exposed to interest rate risk. This arises primarily from borrowings denominated in United States dollars. The Group does not use derivative financial instruments to hedge its interest rates.

Sensitivity analysis

At the reporting date, the Group and the Company has a floating rate loan from the ultimate holding company of US\$73,727,000 (2009 : US\$71,127,000). A change of 100 basis points in interest rates at the reporting date would (increase)/decrease loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	<u>Profit or loss</u>	
	100 bp <u>increase</u> US\$'000	100 bp <u>decrease</u> US\$'000
<u>Group and Company</u>		
2010		
Variable rate loans from ultimate holding company	(737)	737
2009		
Variable rate loans from ultimate holding company	(711)	711

(iii) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations in relation to each class of recognised financial assets, is the carrying amount of these assets as indicated in the statements of financial position.

It is the Group's policy to transact with creditworthy counterparties. Therefore, the Group does not expect to incur material credit losses on its financial assets or other financial instruments.

Concentration of credit risk exist when changes in economic, industry or geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. If the customers are independently rated, these ratings are used. Otherwise, the credit quality of customers is assessed after taking into account its financial position and past experience with the customers. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Management is of the view that there is no concentration of credit risk. Further details of credit risks on trade and other receivables are disclosed in Note 8.

Cash and fixed deposits are held with creditworthy financial institutions.

(iv) Liquidity risk management

The Group and the Company maintains sufficient cash and cash equivalents and internally generated cash flows to finance their activities. As at December 31, 2010, the Group and the Company has available cash and fixed deposits totalling to US\$3,926,000 (2009 : US\$4,889,000) to finance its operations. The Group is dependent on its ultimate holding company for continued financial support.

The Group and the Company's financial assets and liabilities are substantially short-term in nature, except for loans and borrowings as disclosed in Note 18 to the financial statements.

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

<u>Group</u>	Weighted average effective <u>interest rate</u> %	On demand or within <u>1 year</u> US\$'000	Within <u>1 to 5 years</u> US\$'000	<u>Adjustment</u> US\$'000	<u>Total</u> US\$'000
2010					
Fixed interest rate loans	11.79	10	2	(1)	11
Variable interest rate loans	1.35	-	85,565	(4,468)	81,097
Non-interest bearing	-	<u>4,735</u>	<u>16,976</u>	-	<u>21,711</u>
		<u>4,745</u>	<u>102,543</u>	<u>(4,469)</u>	<u>102,819</u>
2009					
Fixed interest rate loans	11.79	9	10	(2)	17
Variable interest rate loans	1.28	-	78,136	(987)	77,149
Non-interest bearing	-	<u>19,807</u>	-	-	<u>19,807</u>
		<u>19,816</u>	<u>78,146</u>	<u>(989)</u>	<u>96,973</u>
<u>Company</u>	Weighted average effective <u>interest rate</u> %	On demand or within <u>1 year</u> US\$'000	Within <u>1 to 5 years</u> US\$'000	<u>Adjustment</u> US\$'000	<u>Total</u> US\$'000
2010					
Variable interest rate loans from ultimate holding company	1.35	-	85,565	(4,468)	81,097
Non-interest bearing	-	<u>1,688</u>	<u>15,265</u>	-	<u>16,953</u>
		<u>1,688</u>	<u>100,830</u>	<u>(4,468)</u>	<u>98,050</u>
2009					
Variable interest rate loans from ultimate holding company	1.28	-	78,136	(987)	77,149
Non-interest bearing	-	<u>14,966</u>	-	-	<u>14,966</u>
		<u>14,966</u>	<u>78,136</u>	<u>(987)</u>	<u>92,115</u>

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables and payables, provisions and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and when such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the financial instrument.

Fair value is estimated by using a discounted cash flow model which includes some assumptions that are not supportable by observable market price or rates. Changes in these assumptions do not significantly change the fair value recognised.

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

<u>Group</u>	Nominal interest rate	Year to maturity	<u>2010</u>		<u>2009</u>	
			Fair value US\$'000	Carrying amount US\$'000	Fair value US\$'000	Carrying amount US\$'000
Fixed interest rate loans	11.79%	2012	<u>24</u>	<u>11</u>	<u>24</u>	<u>17</u>

c) Capital risk management policies and objectives

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 stakeholders through the optimisation of the debt and equity balance.

Management reviews the capital structure on an on-going basis to achieve its capital objective. The capital structure of the Group consists of debts, which includes borrowings disclosed in Note 18 to the financial statements, equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings. The Group's overall strategy remains unchanged from 2009.

5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Bioton S.A., incorporated in Poland, which is also its ultimate holding company. Related companies refer to members of the ultimate holding company's Group of companies.

Some of the Group's transactions and arrangements are between members of the ultimate holding company's group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest free and repayable on demand unless otherwise stated.

Transactions between subsidiaries have been eliminated on consolidation. Transactions with the ultimate holding company during the year are disclosed below.

	<u>Group and Company</u>	
	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000
<u>Ultimate holding company</u>		
Purchases of goods	2,740	3,206
Profit sharing on sales of insulin in People's Republic of China	137	-
Proceeds of loan from ultimate holding company	<u>2,600</u>	<u>9,500</u>

6 OTHER RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these condensed consolidated interim financial statements.

Compensation of directors and key management personnel

Remuneration and retirement benefits paid/payable to directors and key management personnel are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Short-term employee benefits	1,750	1,712	1,262	1,213
Termination benefits	-	2,836	-	2,836
Post-employment benefits	<u>123</u>	<u>92</u>	<u>23</u>	<u>26</u>
	<u>1,873</u>	<u>4,640</u>	<u>1,285</u>	<u>4,075</u>

The remuneration and retirement benefits paid/payable to directors for year ended December 31, 2009 include the termination benefits of US\$2.8 million payable to an ex-director of the Company whose appointment was terminated on June 29, 2009.

7 CASH AND CASH EQUIVALENTS

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at bank and on hand	4,053	4,003	932	1,122
Fixed deposits	<u>222</u>	<u>886</u>	<u>-</u>	<u>5</u>
	4,275	4,889	932	1,127
Less : Cash and cash equivalents transferred to disposal group held-for-sale (Note 10)	<u>(349)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,926</u>	<u>4,889</u>	<u>932</u>	<u>1,127</u>

Fixed deposits bear average effective interest rate of 5.48% (2009 : 3.79%) per annum and for a tenure of approximately one to twelve months (2009 : one to six months). The carrying amounts of these assets approximate their fair values.

The Group and Company's cash and cash equivalents that are not denominated in the functional currencies of the respective entities are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
United States dollar	-	414	-	-
Singapore dollar	22	70	22	70
Australian dollar	<u>24</u>	<u>21</u>	<u>24</u>	<u>21</u>

8 TRADE AND OTHER RECEIVABLES

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
		(Restated)		
Trade receivables	1,644	2,068	953	1,784
Allowance for doubtful debts	<u>(274)</u>	<u>-</u>	<u>(271)</u>	<u>-</u>
	1,370	2,068	682	1,784
Amounts due from subsidiaries (trade)	-	-	2,781	2,835
Allowance for doubtful debts (trade)	<u>-</u>	<u>-</u>	<u>(1,435)</u>	<u>(662)</u>
	-	-	1,346	2,173
Amounts due from subsidiaries (non-trade)	-	-	125	99
Allowance for doubtful debts (non-trade)	<u>-</u>	<u>-</u>	<u>(105)</u>	<u>(99)</u>
	-	-	20	-
Deposits	289	350	130	225
Other receivables	83	185	7	10
Staff advances	7	7	1	1
Amounts due from ultimate holding company (non-trade)	<u>36</u>	<u>90</u>	<u>36</u>	<u>90</u>
	1,785	2,700	2,222	4,283
Prepayments	1,927	469	174	128
Advances to suppliers	<u>774</u>	<u>1,007</u>	<u>-</u>	<u>-</u>
	4,486	4,176	2,396	4,411
Less : Trade and other receivables transferred to disposal group held-for-sale (Note 10)	<u>(156)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,330</u>	<u>4,176</u>	<u>2,396</u>	<u>4,411</u>

The non-trade amounts due from subsidiaries and ultimate holding company are unsecured, interest-free and are repayable on demand.

The average credit period on sales of goods is 60 days (2009 : 60 days). No interest is charged on the trade receivables. Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

In determining the recoverability of a trade or other receivable the Group considers any change in the credit quality of the trade or other receivable from the date credit was initially granted up to the end of the reporting period. The Group's primary exposure to credit risk arises through its trade receivables. Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are internationally dispersed, engaged in a wide spectrum of pharmaceutical product distribution activities and sell in a variety of end markets. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables.

The maximum exposure to credit risk for trade receivables due from third parties at the reporting date (by geographical region) is:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
India	-	764	-	764
Vietnam	-	460	-	460
Thailand	185	174	184	174
Philippines	379	326	379	326
Australia	338	155	-	-
Korea	349	81	-	-
Others	<u>119</u>	<u>108</u>	<u>119</u>	<u>60</u>
	<u>1,370</u>	<u>2,068</u>	<u>682</u>	<u>1,784</u>

The Group's most significant customer accounts for US\$379,000 (2009 : US\$764,000) of the trade receivables carrying amount as at December 31, 2010.

The table below is an analysis of trade receivables as at December 31:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
		(Restated)		
Not past due and not impaired	1,075	1,265	473	1,109
Past due but not impaired (i)	<u>295</u>	<u>803</u>	<u>209</u>	<u>675</u>
	<u>1,370</u>	<u>2,068</u>	<u>682</u>	<u>1,784</u>
Impaired receivables - collectively assessed (ii)	274	-	271	-
Less: Allowance for impairment	<u>(274)</u>	<u>-</u>	<u>(271)</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total trade receivables, net	<u>1,370</u>	<u>2,068</u>	<u>682</u>	<u>1,784</u>

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
		(Restated)		
(i) Aging of receivables that are past due but not impaired:				
Past due for 0 to 30 days	169	648	87	581
Past due for 31 to 120 days	126	95	122	83
Past due for more than 120 days	-	60	-	11
	<u>295</u>	<u>209</u>	<u>675</u>	

(ii) These amounts are stated before any deduction for impairment losses.

Movement in the allowance for doubtful debts:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at beginning of the year	-	-	-	-
Increase in allowance recognised in profit or loss (Note 24)	274	-	271	-
Balance at end of the year	<u>274</u>	<u>-</u>	<u>271</u>	<u>-</u>

The Group and Company's trade and other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
United States dollar	-	3	-	-
Singapore dollar	262	157	262	157
Australian dollar	-	8	-	8
Hong Kong dollars	-	15	-	15
Philippine Peso	<u>-</u>	<u>81</u>	<u>-</u>	<u>81</u>

9 INVENTORIES

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Raw materials and packing materials	541	454	-	-
Work-in-progress	-	277	-	-
Finished goods	2,688	1,905	189	130
	3,229	2,636	189	130
Less : Inventories transferred to disposal group held-for-sale (Note 10)	(2,150)	-	-	-
	<u>1,079</u>	<u>2,636</u>	<u>189</u>	<u>130</u>

10 ASSETS CLASSIFIED AS HELD-FOR-SALE

The assets and liabilities of the Company's subsidiary in Israel, SciGen (I.L.) Ltd and the Sci-B-Vac™ licences and development costs in SciGen Ltd specifically identified and used for the development of SciGen (I.L.) Ltd's products (collectively known as the "Net Assets") are presented as assets and liabilities held-for-sale respectively, following the decision to dispose these net assets and focus on recombinant human insulin as its core product and investing in the development of insulin-related products, which is the global strategy of the ultimate holding company (Note 5).

An impairment loss of US\$6.1 million and US\$2.7 million have been accounted for the property, plant and equipment of SciGen (I.L.) Ltd and the related Sci-B-Vac™ licences and development costs respectively, which is based on conservative estimate of the transaction price. The impairment loss has been recognised in the profit or loss for the year ended December 31, 2010.

The lease prepayment held in the Company's subsidiary in the People's Republic of China, Hefei-SciGen-Bioton Biopharmaceutical Company Ltd recorded as assets classified as held for sale as at December 31, 2009 at carrying value of US\$1.1 million was sold in third quarter of 2010.

(a) The total assets of the disposal group classified as held-for-sale are as follows :

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
		US\$'000	US\$'000	US\$'000	US\$'000
Property, plant and equipment	11	-	1,450	-	-
Less: Impairment loss		-	(1,408)	-	-
Lease prepayment	13	-	1,009	-	-
Investment in SciGen (I.L.) Ltd	16	-	-	8,079	-
Licence and patents	12	3,623	-	3,573	-
Property, plant and equipment	11	4,522	-	-	-
Inventories	9	2,150	-	-	-
Trade and other receivables	8	156	-	-	-
Cash and cash equivalents	7	349	-	-	-
Total assets classified as held-for-sale		<u>10,800</u>	<u>1,051</u>	<u>11,652</u>	<u>-</u>

(b) The total liabilities of the disposal group classified as held-for-sale are as follows :

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
		US\$'000	US\$'000	US\$'000	US\$'000
Trade and other payables	17	<u>800</u>	<u>-</u>	<u>-</u>	<u>-</u>

11 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Office furniture and fittings	Office equipment	Motor vehicles	Construction in progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group							
Cost:							
At January 1, 2008	4,430	2,983	4,258	736	232	23,919	36,558
Additions	-	235	585	126	-	17,165	18,111
Write-offs	-	-	(21)	(4)	-	(1)	(26)
Correction of errors (Note 31)	(1,216)	-	-	-	-	(2,209)	(3,425)
Translation differences	<u>(335)</u>	<u>(170)</u>	<u>(7)</u>	<u>(42)</u>	<u>(8)</u>	<u>(4,391)</u>	<u>(4,953)</u>
At December 31, 2008 (restated)	2,879	3,048	4,815	816	224	34,483	46,265
Additions	17	35	631	42	47	7,663	8,435
Write-offs	-	(12)	(82)	(55)	(51)	(1,850)	(2,050)
Transfer to non-current assets held-for-sale (Note 10)	-	-	-	-	-	(1,450)	(1,450)
Transfer to lease prepayment (Note 13)	(481)	-	-	-	-	-	(481)
Correction of errors (Note 31)	(14)	-	-	-	-	(1,834)	(1,848)
Translation differences	<u>74</u>	<u>35</u>	<u>11</u>	<u>24</u>	<u>3</u>	<u>772</u>	<u>919</u>
At December 31, 2009 (restated)	2,475	3,106	5,375	827	223	37,784	49,790
Additions	-	192	195	112	6	1,659	2,164
Disposals	-	-	(3)	(12)	(13)	-	(28)
Reclassifications	7,288	12	1,280	-	-	(8,580)	-
Transfer to non-current assets held-for-sale	(2,597)	(2,407)	(6,780)	(510)	(43)	(14,276)	(26,613)
Translation differences	<u>139</u>	<u>177</u>	<u>365</u>	<u>48</u>	<u>9</u>	<u>1,804</u>	<u>2,542</u>
At December 31, 2010	<u>7,305</u>	<u>1,080</u>	<u>432</u>	<u>465</u>	<u>182</u>	<u>18,391</u>	<u>27,855</u>
Accumulated depreciation and impairment losses:							
At January 1, 2008	32	101	43	157	37	-	370
Depreciation charge for the year	46	91	31	67	34	-	269
Correction of errors (Note 31)	(46)	374	14	34	14	-	390
Disposals	-	-	(4)	(3)	-	-	(7)
Translation differences	<u>(21)</u>	<u>(13)</u>	<u>(2)</u>	<u>(23)</u>	<u>(2)</u>	<u>-</u>	<u>(61)</u>
At December 31, 2008 (restated)	11	553	82	232	83	-	961
Depreciation charge for the year	-	173	433	104	1	-	711
Correction of errors (Note 31)	6	160	10	8	7	(547)	(356)
Impairment losses	1,994	1,157	2,361	234	42	11,180	16,968
Write-offs	-	-	(19)	(49)	(24)	-	(92)
Transfer to lease prepayment (Note 13)	(26)	-	-	-	-	-	(26)
Translation differences	<u>2</u>	<u>4</u>	<u>6</u>	<u>17</u>	<u>2</u>	<u>-</u>	<u>31</u>
At December 31, 2009 (restated)	1,987	2,047	2,873	546	111	10,633	18,197
Depreciation charge for the year	225	267	873	172	33	-	1,570
Impairment losses	-	451	1,397	46	-	4,186	6,080
Disposals	-	-	(1)	(11)	(13)	-	(25)
Transfer to non-current assets held for sale	(2,132)	(2,111)	(5,280)	(490)	(43)	(12,035)	(22,091)
Translation differences	<u>149</u>	<u>104</u>	<u>283</u>	<u>46</u>	<u>5</u>	<u>745</u>	<u>1,332</u>
At December 31, 2010	<u>229</u>	<u>758</u>	<u>145</u>	<u>309</u>	<u>93</u>	<u>3,529</u>	<u>5,063</u>

	Land and buildings US\$'000	Plant and machinery US\$'000	Office furniture and fittings US\$'000	Office equipment US\$'000	Motor vehicles US\$'000	Construction in progress US\$'000	Total US\$'000
Carrying amount:							
At January 1, 2009	<u>2,868</u>	<u>2,495</u>	<u>4,733</u>	<u>584</u>	<u>141</u>	<u>34,483</u>	<u>45,304</u>
At December 31, 2009	<u>488</u>	<u>1,059</u>	<u>2,502</u>	<u>281</u>	<u>112</u>	<u>27,151</u>	<u>31,593</u>
At December 31, 2010	<u>7,076</u>	<u>322</u>	<u>287</u>	<u>156</u>	<u>89</u>	<u>14,862</u>	<u>22,792</u>

During the current financial year, retrospective restatement of errors were made in 2008 for the following categories of property, plant and equipment :

- (i) Land and buildings : Reversal of revaluation surplus US\$1,216,000
- (ii) Construction in progress : Correction of capitalised costs US\$2,209,000

During the current financial year, retrospective restatement of errors were made in 2009 was made for the following categories of property, plant and equipment :

- (i) Land and buildings : Correction in value in land premium US\$14,000
- (ii) Construction in progress : Correction of capitalised costs US\$1,834,000

Assets transferred to non-current assets held-for-sale with a carrying value of US\$4,522,000 relate to property, plant and equipment of a subsidiary in Israel (Note 10).

	Plant and machinery US\$'000	Office furniture and fittings US\$'000	Office equipment US\$'000	Total US\$'000
<u>Company</u>				
Cost:				
At January 1, 2009	18	190	138	346
Additions	-	-	5	5
Disposals	<u>-</u>	<u>(83)</u>	<u>(54)</u>	<u>(137)</u>
At December 31, 2009	18	107	89	214
Additions	-	1	20	21
Disposals	<u>-</u>	<u>(1)</u>	<u>(9)</u>	<u>(10)</u>
At December 31, 2010	<u>18</u>	<u>107</u>	<u>100</u>	<u>225</u>
Accumulated depreciation:				
At January 1, 2009	18	43	88	149
Depreciation for the year	-	17	22	39
Write-offs	<u>-</u>	<u>(19)</u>	<u>(48)</u>	<u>(67)</u>
At December 31, 2009	18	41	62	121
Depreciation for the year	-	11	18	29
Write-offs	<u>-</u>	<u>(1)</u>	<u>(8)</u>	<u>(9)</u>
At December 31, 2010	<u>18</u>	<u>51</u>	<u>72</u>	<u>141</u>

	Plant and machinery US\$'000	Office furniture and fittings US\$'000	Office equipment US\$'000	Total US\$'000
Carrying amount:				
At January 1, 2009	<u>-</u>	<u>147</u>	<u>50</u>	<u>197</u>
At December 31, 2009	<u>-</u>	<u>66</u>	<u>27</u>	<u>93</u>
At December 31, 2010	<u>-</u>	<u>56</u>	<u>28</u>	<u>84</u>

12 INTANGIBLE ASSETS

	Licences US\$'000	Computer software US\$'000	Development costs US\$'000	Total US\$'000
<u>Group</u>				
Cost:				
At January 1, 2009	28,743	70	1,656	30,469
Additions	773	-	756	1,529
Write-offs	(3,479)	-	-	(3,479)
Translation differences	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
At December 31, 2009	26,038	70	2,412	28,520
Additions	32	4	478	514
Write-offs	-	-	(5)	(5)
Transfer to non-current assets held-for-sale (Note 10)	(12,407)	-	(1,387)	(13,794)
Translation differences	<u>3</u>	<u>-</u>	<u>13</u>	<u>16</u>
At December 31, 2010	<u>13,666</u>	<u>74</u>	<u>1,511</u>	<u>15,251</u>
Amortisation and impairment losses:				
At January 1, 2009	613	29	-	642
Amortisation charge for the year	263	19	245	527
Impairment losses	<u>6,154</u>	<u>-</u>	<u>689</u>	<u>6,843</u>
At December 31, 2009	7,030	48	934	8,012
Amortisation charge for the year	218	20	169	407
Impairment losses (Note 3)	2,730	-	-	2,730
Transfer to non-current assets held-for-sale (Note 10)	(9,482)	-	(689)	(10,171)
Translation differences	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>
At December 31, 2010	<u>496</u>	<u>68</u>	<u>421</u>	<u>985</u>
Carrying amount:				
At December 31, 2009	<u>19,008</u>	<u>22</u>	<u>1,478</u>	<u>20,508</u>
At December 31, 2010	<u>13,170</u>	<u>6</u>	<u>1,090</u>	<u>14,266</u>

<u>Company</u>	<u>Licences</u> US\$'000	<u>Computer software</u> US\$'000	<u>Development costs</u> US\$'000	<u>Total</u> US\$'000
Cost:				
At January 1, 2009	28,679	68	1,603	30,350
Additions	773	-	424	1,197
Write-offs	<u>(3,479)</u>	<u>-</u>	<u>-</u>	<u>(3,479)</u>
At December 31, 2009	25,973	68	2,027	28,068
Additions	-	-	235	235
Transfer to non-current assets held-for-sale (Note 10)	<u>(12,307)</u>	<u>-</u>	<u>(1,387)</u>	<u>(13,694)</u>
At December 31, 2010	<u>13,666</u>	<u>68</u>	<u>875</u>	<u>14,609</u>
Amortisation and impairment losses:				
At January 1, 2009	613	27	-	640
Amortisation charge for the year	263	19	-	282
Impairment losses	<u>6,154</u>	<u>-</u>	<u>689</u>	<u>6,843</u>
At December 31, 2009	7,030	46	689	7,765
Amortisation charge for the year	168	20	163	351
Impairment losses (Note 3)	2,730	-	-	2,730
Transfer to non-current assets held-for-sale (Note 10)	<u>(9,432)</u>	<u>-</u>	<u>(689)</u>	<u>(10,121)</u>
At December 31, 2010	<u>496</u>	<u>66</u>	<u>163</u>	<u>725</u>
Carrying amount:				
At December 31, 2009	<u>18,943</u>	<u>22</u>	<u>1,338</u>	<u>20,303</u>
At December 31, 2010	<u>13,170</u>	<u>2</u>	<u>712</u>	<u>13,884</u>

Included in the above development costs of the Group and the Company are clinical trial and regulatory compliance costs.

In December 31, 2009, licences for SciFeronTM, SciTropinTM and ScilocyteTM amounting to approximately US\$3.5 million were written off as the company was not proceeding with the commercial production for these products. In December 31, 2010, development costs amounting to US\$5,000 were written-off in relation to development cost of a subsidiary in India (Note 16).

The intangible assets included above have finite useful lives, over which the assets are amortised. The amortisation period for development costs incurred is on average 5 to 15 years. Computer software is amortised over their estimated useful lives of 3 years, and licences is amortised over an average of 8 to 15 years. The remaining useful life of the intangible assets on average is 14 years.

The amortisation expense has been included in the line item "Amortisation of intangible assets" in the profit or loss.

Type of licences in respect of biologics

	Cost 2010 US\$'000	Cost 2009 US\$'000	Duration of licences
Rights to market and distribute (i):			
- Sci-B-VacTM	-	8,283	10 - 20 years from the date of first approval for sales in specified group countries or from the date of repayment.
- SciLinTM	1,118	1,118	
	1,118	9,401	
Rights to use technology to establish large scale production facility (ii):			
- Sci-B-VacTM -	-	4,089	10 - 20 years from the date of approval in the licensed territory.
- SciLinTM	4,267	4,267	
	4,267	8,356	
Right to use design plans to construct large scale production facilities	<u>8,281</u>	<u>8,281</u>	10 - 20 years from the completion of construction of the facilities.
	<u>13,666</u>	<u>26,038</u>	

- (i) Some of the licences to market and distribute require the Company to obtain the relevant regulatory approvals in countries specified in the agreements within a specified period of time, failing which the licence agreements can be terminated. The countries are largely within the Asia Pacific region.
- (ii) The licence with the right to use technology requires the Company to erect and operate a facility or use a Contract Manufacturer Organisation with a minimal production capacity.

13 LEASE PREPAYMENT

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000 (Restated)
Cost:				
At January 1	980	1,389	-	-
Additions	-	119	-	-
Transfer from property, plant and equipment (Note 11)	-	481	-	-
Transfer to non-current assets held for sale (Note 10)	-	(1,009)	-	-
Translation difference	<u>31</u>	<u>-</u>	<u>-</u>	<u>-</u>
At December 31	<u>1,011</u>	<u>980</u>	<u>-</u>	<u>-</u>

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Amortisation:				
At January 1	163	90	-	-
Amortisation charge for the year	17	47	-	-
Transfer from property, plant and equipment (Note 11)	-	26	-	-
Translation difference	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>
At December 31	<u>185</u>	<u>163</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>826</u>	<u>817</u>	<u>-</u>	<u>-</u>

Lease prepayment consist of land use rights with carrying cost of US\$499,000 (2009 : US\$499,000) held by a subsidiary situated in People's Republic of China and leasehold land with carrying cost of US\$481,000 (2009 : US\$481,000) held by a subsidiary situated in India.

14 INVESTMENT PROPERTY

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Cost:				
At January 1	278	264	-	-
Disposal	(232)	-	-	-
Translation difference	<u>(46)</u>	<u>14</u>	<u>-</u>	<u>-</u>
At December 31	<u>-</u>	<u>278</u>	<u>-</u>	<u>-</u>
Amortisation:				
At January 1	32	15	-	-
Disposal	(26)	30	-	-
Translation difference	<u>(6)</u>	<u>(12)</u>	<u>-</u>	<u>-</u>
At December 31	<u>-</u>	<u>33</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>-</u>	<u>245</u>	<u>-</u>	<u>-</u>

The investment property was disposed of during the financial year, for proceeds of US\$615,000 (2009 : US\$Nil).

15 DEFERRED TAX ASSETS

The following are the deferred tax recognised by the Group and the Company and the movement thereon:

<u>Group</u>	<u>Tax losses</u> US\$'000	<u>Others</u> <u>temporary</u> <u>differences</u> US\$'000	<u>Total</u> US\$'000
At January 1, 2009 and December 31, 2009	-	12	12
Credit to profit or loss for the year (Note 26)	<u>7,276</u>	<u>252</u>	<u>7,528</u>
At December 31, 2010	<u>7,276</u>	<u>264</u>	<u>7,540</u>
 <u>Company</u>	 <u>Tax losses</u> US\$'000	 <u>Others</u> US\$'000	 <u>Total</u> US\$'000
At January 1, 2009 and December 31, 2009	-	-	-
Credit to profit or loss for the year	<u>7,102</u>	<u>264</u>	<u>7,366</u>
At December 31, 2010	<u>7,102</u>	<u>264</u>	<u>7,366</u>

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group and the Company has unutilised tax losses of approximately US\$48,209,000 and US\$41,776,000 (2009 : US\$58,824,000 and US\$51,928,000) respectively, available for offsetting against future taxable income, subject to agreement by the relevant tax authorities and compliance with the tax regulations (such as retention of majority shareholders as defined) in which the Group and the Company operates. Tax losses of the Company do not expire under the current tax regulations.

Deferred tax benefits on these unutilised tax losses for the Group and the Company, amounting to approximately US\$7,276,000 and US\$7,102,000 (2009 : unrecognised deferred tax benefits of US\$9,439,000 and US\$9,347,000) respectively, have been recognised by the Group and the Company as the management is of the view that it is probable that future taxable profit will be available against which certain subsidiaries of the Group and the Company can utilise the benefits.

16 SUBSIDIARIES

	<u>Company</u>	
	<u>2010</u> US\$'000	<u>2009</u> US\$'000
Unquoted equity shares, at cost	8,091	8,032
Less : Allowance for impairment loss	<u>(1,416)</u>	<u>(1,416)</u>
	<u>6,675</u>	<u>6,616</u>
Loans to subsidiaries	51,565	49,937
Less : Allowance for impairment loss	<u>(19,390)</u>	<u>(13,310)</u>
	<u>38,850</u>	<u>43,243</u>
Transfer to assets held-for-sale (Note 10)	<u>(8,079)</u>	<u>-</u>
	<u>30,771</u>	<u>43,243</u>

Loans to subsidiaries which form part of the Company's net investments in subsidiaries, are interest-free, unsecured and settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are a part of Company's net investment in subsidiaries, they are stated at cost.

<u>Name of subsidiary</u>	<u>Country of of incorporation and operations</u>	<u>Proportion of ownership interest and voting power held</u>		<u>Principal activities</u>
		<u>2010</u> %	<u>2009</u> %	
SciGen (Australia) Pty Ltd ⁽¹⁾	Australia	100	100	Sales and distribution
SciGen Korea Ltd ⁽¹⁾	Republic of Korea	100	100	Sales and distribution
SciGen (I.L.) Ltd ⁽²⁾	State of Israel	100	100	Manufacturing, sales and distribution
Hefei-SciGen-Bioton Biopharmaceutical Company Ltd ⁽³⁾	People's Republic of China	52	52	Manufacturing, sales and distribution
SciGen BioPharma Private Ltd ⁽²⁾	Republic of India	100	100	Manufacturing, sales and distribution
SciGen (Beijing) Biotechnology Co., Ltd ⁽¹⁾	People's Republic of China	100	100	Sales and distribution

(1) Not required to be audited in accordance with the laws of country of incorporation, but audited for Group consolidation purposed only by Deloitte & Touche LLP.

(2) Audited by overseas practices of Deloitte & Touche Tohmatsu Limited for Group consolidation purposes only.

(3) Audited by overseas practices of Deloitte & Touche Tohmatsu Limited.

17 TRADE AND OTHER PAYABLES

	<u>Group</u>		<u>Company</u>	
	<u>2010</u> US\$'000	<u>2009</u> US\$'000 (Restated)	<u>2010</u> US\$'000	<u>2009</u> US\$'000
Accrued interest payable to ultimate holding company (Note 5)	7,370	6,022	7,370	6,022
Trade payables to outside parties	994	870	475	435
Short-term portion of obligations to licensors	-	195	-	195
Amounts due to ultimate holding company (trade) (Note 5)	12,814	10,139	12,814	10,139
Amounts due to a subsidiary (non-trade) (Note 5)	-	-	271	204
Amounts due to ultimate holding company (non-trade) (Note 5)	3,605	1,297	2,641	1,297
Other payables	2,119	1,852	294	280
Accrued employee benefits	52	1,794	15	1,388
Accrued operating expenses	2,927	3,250	443	1,028
Advances from customers	-	410	-	-
	<u>29,881</u>	<u>25,829</u>	<u>24,323</u>	<u>20,988</u>
Less : amount due for settlement after 12 months	(7,370)	(6,022)	(7,370)	(6,022)
Less : Trade and other payables transferred to disposal group held-for-sale (Note 10)	<u>(800)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount due for settlement within 12 months	<u>21,711</u>	<u>19,807</u>	<u>16,953</u>	<u>14,966</u>

The average credit period on purchase of goods is 60 days (2009 : 60 days). No interest is charged on trade and other payables.

The non-current accrued interest payable to ultimate holding company comprises the loan interest payable to the ultimate holding company which is due for repayment on December 31, 2015. The non-current accrued interest payable is stated at amortised cost. The difference between the fair value and the carrying value is recognised in profit and loss. The fair value was determined based on discounted expected future principal cash flows, discounted at the effective interest rate of 1.33% (2009 : 1.76%) per annum at the reporting date. These amounts were subsequently measured at amortised cost using the effective interest rate method.

Non-trade amounts due to a subsidiary (Note 16) and related parties (Note 5) are unsecured, interest-free and are repayable on demand.

The Group and Company's trade and other payables that are not denominated in the functional currencies of the respective entities are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Singapore dollar	448	218	448	218
Australian dollar	4	-	4	-
Euro	<u>975</u>	<u>11</u>	<u>11</u>	<u>11</u>

18 LOANS AND BORROWINGS

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Loans from ultimate holding company (Note 5)	73,727	71,127	73,727	71,127
Secured bank loans	11	17	-	-
Convertible debenture	<u>743</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts due for settlement after 12 months	<u>74,481</u>	<u>71,144</u>	<u>73,727</u>	<u>71,127</u>

The loans from ultimate holding company were made on normal commercial terms and conditions and bear interest of LIBOR 3 months + 1% (2009 : LIBOR 3 months + 1%) per annum. The loans and interests are due for repayment on December 31, 2015.

The bank loans are secured on property, plant and equipment with a carrying amount of US\$26,000 (2009 : US\$30,000) (Note 11).

On December 22, 2010, convertible debenture was issued to Anglo-Gulf Ltd ("Anglo-Gulf") amounting to US\$750,000, at fixed rate of 6% per annum, pursuant to the investment agreement signed with the Company. The investment agreement between the Company and Anglo-Gulf was for the issue and allotment of new shares in SciGen BioPharma Pvt. Ltd. ("SciGen BioPharma"), which is 100% owned by the Company and operating in India. This transaction involves a cash injection of US\$8 million by Anglo-Gulf for 49.99% interest in the equity of SciGen BioPharma. The date for conversion of the debenture to equity is the earlier of March 31, 2012 or the date of injecting the final tranche of US\$8 million.

The weighted average effective interest rates per annum relating to borrowings at the reporting dates for the Group and Company are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	%	%	%	%
Secured bank loans	11.79	11.79	-	-
Loans from ultimate holding company	1.35	1.28	1.35	1.28
Convertible debenture	<u>6.00</u>	<u>-</u>	<u>-</u>	<u>-</u>

Management estimates the fair value of the Group and the Company's borrowings, by discounting their future cash flows at the market rate to be as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Secured bank loans	12	19	-	-
Loans from ultimate holding company	85,565	78,136	85,565	78,136
Convertible debenture	<u>795</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group loans and borrowings that are not denominated in the functional currencies of the respective entities are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
United States dollar	<u>743</u>	<u>-</u>	<u>-</u>	<u>-</u>

19 SHARE CAPITAL

	<u>Group and Company</u>			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	Number of ordinary shares	Number of ordinary shares	US\$'000	US\$'000
	('000)	('000)		
Issued and fully paid up:				
At beginning and end of year	<u>552,270</u>	<u>552,270</u>	<u>42,530</u>	<u>42,530</u>

The Company has one class of ordinary shares which carry one vote per share, has no par value and carries a right to dividend as and when declared by the company.

20 TRANSLATION RESERVES

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Foreign currency translation reserve	<u>1,313</u>	<u>(1,051)</u>	<u>-</u>	<u>-</u>

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company, and the exchange differences on foreign currency loans to subsidiaries, which form part of the Group's net investment in foreign operations.

21 REVENUE

	<u>Group</u>	
	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000
Sales of goods	<u>12,369</u>	<u>11,251</u>

22 OTHER INCOME

	<u>Group</u>	
	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000
Rental income from investment property	-	18
Others	<u>525</u>	<u>233</u>
	<u>525</u>	<u>251</u>

Investment property was disposed of in January 2010.

23 OTHER OPERATING EXPENSES

	<u>Group</u>	
	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000
Advertising and promotional expenses	1,655	2,065
Professional and consultancy fees	884	778
Travel and entertainment expenses	565	557
Insurance premium	310	256
Rental expenses	582	537
Regulatory and clinical research expenses	236	182
Administrative and communication expenses	1,454	2,369
Statutory compliance fee	146	1,153
Storage and distribution expenses	438	282
Property tax and license fees	57	600
Others	<u>845</u>	<u>127</u>
	<u>7,172</u>	<u>8,906</u>

24 LOSS FOR THE YEAR

The following items have been included in arriving at loss from operating activities before income tax:

	<u>Group</u>	
	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000
Allowance for doubtful debts	274	-
Bad debts written back	-	(5)
Gain on disposal of property, plant and equipment	(1)	-
Gain on disposal of investment property	(407)	-
Gain on disposal of asset held-for-sale	(3)	-
Operating lease expenses	570	645
Auditors' remuneration	146	153
Employee benefits expense (including directors' remuneration)		
Contributions to defined contribution plans, included in staff costs	28	26
Others	<u>6,115</u>	<u>7,165</u>

25 FINANCE INCOME AND EXPENSE

	<u>Group</u>	
	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000
Interest income received/receivable from:		
- banks	46	22
Unrealised exchange gain	-	<u>513</u>
Finance income	<u>46</u>	<u>535</u>
Interest expense paid/payable to:		
- banks	(25)	(31)
- ultimate holding company	(1,472)	(1,414)
- other entities	<u>(55)</u>	<u>-</u>
	(1,552)	(1,445)
Unrealised exchange loss	<u>(299)</u>	<u>-</u>
Finance expenses	<u>(1,851)</u>	<u>(1,445)</u>

26 INCOME TAX CREDIT

	<u>Group</u>	
	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000
Current year	64	(19)
Deferred tax expense (Note 15)	<u>(7,528)</u>	<u>(70)</u>
Total income tax credit	<u>(7,464)</u>	<u>(89)</u>

Domestic income tax calculated at 17% (2009 : 17%) of the assessable profit for the year. Taxation for other jurisdiction is calculated at the rate prevailing in the respective jurisdictions.

	<u>Group</u>	
	<u>2010</u> US\$'000	<u>2009</u> US\$'000
Loss before income tax	(17,662)	(42,047)
Tax calculated using Singapore tax rate of 17% (2009 : 17%)	(3,003)	(7,148)
Effect of different tax rates in other countries	(878)	(1,306)
Income not subject to tax	(1)	(10)
Expenses not deductible for tax purposes	3,896	3,215
Unrecognised deferred tax assets	655	5,306
Utilisation of previously unrecognised tax losses	(435)	-
Effect of previously unrecognised and unused tax losses and tax assets now recognised as deferred tax assets	(7,528)	-
Overprovision of deferred tax in respect of prior years	-	(70)
Others	(170)	(76)
	<u>(7,464)</u>	<u>(89)</u>

The tax income expense on the results for the financial year ended December 31, 2010 for the Group was mainly due to tax on gain on disposal of investment property US\$76,000 (2009 : income tax benefit of US\$89,000) by its subsidiary, SciGen BioPharma Pvt. Ltd. during the year. There is no tax expense on the results for the financial year for the Company as the Company has incurred losses for tax purposes.

Subject to agreement with Comptroller of Income tax and the tax authorities in the relevant tax jurisdictions in which the Group operates and conditions imposed by laws, the Group has tax losses carryforwards and temporary differences available for offsetting against future taxable income as detailed in Note 15.

27 LOSS PER SHARE

	<u>Group</u>	
	<u>2010</u> US\$'000	<u>2009</u> US\$'000
Basic loss per share is based on:		
(i) Net loss attributable to equity holders of the Company	<u>(9,753)</u>	<u>(40,235)</u>
	<u>2010</u> Number of ordinary shares '000	<u>2009</u> Number of ordinary shares '000
(ii) Weighted average number of ordinary shares at the end of the period	<u>552,270</u>	<u>552,270</u>

28 SEGMENT INFORMATION

Segment information is presented in respect of the Group's geographical segments. The reportable segment presentation is based on the Group's management and internal reporting structure, used for its strategic decision-making purposes. Intersegment pricing is determined on mutually agreed terms.

The Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer ("CEO"), who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than the investment property) and related revenue, loans and expenses, corporate assets and head office expenses.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

The Group's reportable segments are as follows:

Singapore

The home country of the parent entity which is also the main operating entity. The areas of operation are principally corporate office functions and sales and marketing.

Australia

Includes sales and marketing activities.

India

Includes sales and marketing and manufacturing activities.

Korea

Includes sales and marketing activities.

Thailand

Includes sales and marketing activities.

Israel

Includes sales and marketing and manufacturing activities.

Vietnam

Includes sales and marketing activities.

Philippines

Includes sales and marketing activities.

China

Includes sales and marketing and manufacturing activities.

Others

Comprises operations carried on in Indonesia and Pakistan. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2010 or 2009.

Major customers

Revenue from two customers, namely from Vietnam and Thailand, represent approximately US\$3,895,000 (2009 : US\$2,496,000 and US\$1,730,000 from India and Thailand respectively) of the Company's total revenue.

Information regarding the Group's reportable segments is presented below.

	<u>Singapore</u> US\$'000	<u>Australia</u> US\$'000	<u>India</u> US\$'000	<u>Korea</u> US\$'000	<u>Thailand</u> US\$'000	<u>Israel</u> US\$'000	<u>Vietnam</u> US\$'000	<u>Philippines</u> US\$'000	<u>China</u> US\$'000	<u>Others</u> US\$'000	<u>Unallocated</u> US\$'000	<u>Total</u> US\$'000
<u>For year ended Dec 31, 2010</u>												
Revenue												
Sales to external customers	2	4,868	-	1,668	2,213	164	1,682	1,351	-	421	-	12,369
Inter-segment sales	<u>2,553</u>	<u>(1,346)</u>	<u>-</u>	<u>(1,207)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total sales revenue	<u>2,555</u>	<u>3,522</u>	<u>-</u>	<u>461</u>	<u>2,213</u>	<u>164</u>	<u>1,682</u>	<u>1,351</u>	<u>-</u>	<u>421</u>	<u>-</u>	<u>12,369</u>
Results												
EBITDA	(24)	1,281	(691)	71	298	(9,100)	268	243	(631)	231	(5,809)	(13,863)
Depreciation & amortisation	-	(41)	(111)	(7)	-	(1,169)	-	(2)	(282)	-	(382)	(1,994)
Interest expense	-	79	(9)	29	-	(367)	-	(1)	(1)	-	(1,581)	(1,851)
Interest income	<u>-</u>	<u>29</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>46</u>
	<u>(24)</u>	<u>1,348</u>	<u>(801)</u>	<u>93</u>	<u>298</u>	<u>(10,636)</u>	<u>268</u>	<u>240</u>	<u>(907)</u>	<u>231</u>	<u>(7,772)</u>	
Loss from operating activities before income tax												(17,662)
Income tax expense												<u>7,464</u>
Loss for the year												<u>(10,198)</u>
Non-controlling interest												<u>445</u>
Loss attributable to equity holders												<u>9,753</u>
<u>As at Dec 31, 2010</u>												
Segment Assets												
Total non-current assets	-	374	13,744	20	-	-	-	3	9,777	-	13,966	37,884
Deferred tax assets	-	174	-	-	-	-	-	-	-	-	7,366	7,540
Total current assets	<u>2</u>	<u>1,629</u>	<u>3,515</u>	<u>1,250</u>	<u>184</u>	<u>7,227</u>	<u>4</u>	<u>494</u>	<u>838</u>	<u>119</u>	<u>4,873</u>	<u>20,135</u>
Segment assets	<u>2</u>	<u>2,177</u>	<u>17,259</u>	<u>1,270</u>	<u>184</u>	<u>7,227</u>	<u>4</u>	<u>497</u>	<u>10,615</u>	<u>119</u>	<u>26,205</u>	<u>65,559</u>
Segment liabilities												
Segment liabilities	<u>-</u>	<u>(122)</u>	<u>(3,642)</u>	<u>(102)</u>	<u>(55)</u>	<u>(800)</u>	<u>-</u>	<u>(100)</u>	<u>(2,409)</u>	<u>-</u>	<u>(97,132)</u>	<u>(104,362)</u>

* EBITDA – Earnings before interest, Taxation, Depreciation and Amortisation

	<u>Singapore</u> US\$'000	<u>Australia</u> US\$'000	<u>India</u> US\$'000	<u>Korea</u> US\$'000	<u>Thailand</u> US\$'000	<u>Israel</u> US\$'000	<u>Vietnam</u> US\$'000	<u>Philippines</u> US\$'000	<u>China</u> US\$'000	<u>Others</u> US\$'000	<u>Unallocated</u> US\$'000	<u>Total</u> US\$'000
<u>For year ended Dec 31, 2010</u>												
Other segment information												
Capital expenditure on property, plant and equipment ("PPE")/ intangible assets ("IA")	<u>-</u>	<u>311</u>	<u>381</u>	<u>5</u>	<u>-</u>	<u>152</u>	<u>-</u>	<u>-</u>	<u>1,571</u>	<u>-</u>	<u>258</u>	<u>2,678</u>
Material non-cash items												
Impairment losses on PPE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,080)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,080)</u>
Impairment losses on IA	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,730)</u>	<u>(2,730)</u>
Write-off of IA	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5)</u>

	<u>Singapore</u> US\$'000	<u>Australia</u> US\$'000	<u>India</u> US\$'000	<u>Korea</u> US\$'000	<u>Thailand</u> US\$'000	<u>Israel</u> US\$'000	<u>Vietnam</u> US\$'000	<u>Philippines</u> US\$'000	<u>China</u> US\$'000	<u>Others</u> US\$'000	<u>Unallocated</u> US\$'000	<u>Total</u> US\$'000
<u>For year ended Dec 31, 2009</u>												
Revenue												
Sales to external customers	10	3,937	2,553	879	1,673	-	1,074	1,017	-	108	-	11,251
Inter-segment sales	<u>2,198</u>	<u>(1,873)</u>	<u>-</u>	<u>(325)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total sales revenue	<u>2,208</u>	<u>2,064</u>	<u>2,553</u>	<u>554</u>	<u>1,673</u>	<u>-</u>	<u>1,074</u>	<u>1,017</u>	<u>-</u>	<u>108</u>	<u>-</u>	<u>11,251</u>
Results												
EBITDA	(9)	1,198	(6,476)	(237)	219	(14,521)	202	136	(3,570)	(44)	(16,533)	(39,635)
Depreciation & amortisation	-	(26)	(466)	(4)	-	(641)	-	(3)	(47)	-	(317)	(1,504)
Interest expense	-	(1)	(14)	-	-	(17)	-	(3)	-	-	(1,410)	(1,445)
Interest income	<u>-</u>	<u>459</u>	<u>(12)</u>	<u>(40)</u>	<u>-</u>	<u>140</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>(98)</u>	<u>535</u>
	<u>(9)</u>	<u>1,630</u>	<u>(6,968)</u>	<u>(201)</u>	<u>219</u>	<u>(15,039)</u>	<u>202</u>	<u>130</u>	<u>(3,611)</u>	<u>(44)</u>	<u>(18,358)</u>	
Loss from operating activities												
before income tax												(42,049)
Income tax expense												89
Loss for the year												(41,960)
Non-controlling interest												1,725
Loss attributable to equity holders												<u>(40,235)</u>
As at Dec 31, 2009												
Segment Assets												
Total non-current assets	-	96	13,312	21	-	11,115	-	3	8,218	-	20,398	53,163
Deferred tax assets	-	-	-	-	-	12	-	-	-	-	-	12
Total current assets	<u>-</u>	<u>2,070</u>	<u>2,807</u>	<u>464</u>	<u>174</u>	<u>2,648</u>	<u>462</u>	<u>429</u>	<u>2,057</u>	<u>76</u>	<u>1,565</u>	<u>12,752</u>
Segment assets	<u>-</u>	<u>2,166</u>	<u>16,119</u>	<u>485</u>	<u>174</u>	<u>13,775</u>	<u>462</u>	<u>432</u>	<u>10,275</u>	<u>76</u>	<u>21,963</u>	<u>65,927</u>
Segment liabilities												
Segment liabilities	<u>-</u>	<u>(124)</u>	<u>(3,277)</u>	<u>(80)</u>	<u>(23)</u>	<u>(793)</u>	<u>(362)</u>	<u>(50)</u>	<u>(1,512)</u>	<u>-</u>	<u>(90,807)</u>	<u>(97,028)</u>

* EBITDA - Earnings before interest, Taxation, Depreciation and Amortisation

	<u>Singapore</u> US\$'000	<u>Australia</u> US\$'000	<u>India</u> US\$'000	<u>Korea</u> US\$'000	<u>Thailand</u> US\$'000	<u>Israel</u> US\$'000	<u>Vietnam</u> US\$'000	<u>Philippines</u> US\$'000	<u>China</u> US\$'000	<u>Others</u> US\$'000	<u>Unallocated</u> US\$'000	<u>Total</u> US\$'000
<u>For year ended Dec 31, 2009</u>												
Other segment information												
Capital expenditure on property, plant and equipment ("PPE")/ intangible assets ("IA")	<u>-</u>	<u>34</u>	<u>2,234</u>	<u>17</u>	<u>-</u>	<u>3,559</u>	<u>-</u>	<u>-</u>	<u>2,919</u>	<u>-</u>	<u>1,202</u>	<u>9,965</u>
Material non-cash items												
Impairment losses on PPE	<u>-</u>	<u>-</u>	<u>(3,420)</u>	<u>-</u>	<u>-</u>	<u>(13,000)</u>	<u>-</u>	<u>-</u>	<u>(1,408)</u>	<u>-</u>	<u>-</u>	<u>(17,828)</u>
Write-off of PPE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,850)</u>	<u>-</u>	<u>(110)</u>	<u>(1,960)</u>
Impairment losses on IA	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,842)</u>	<u>(6,842)</u>
Write-off of IA	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,479)</u>	<u>(3,479)</u>

29 COMMITMENTS

Commitments not reflected in the financial statements at the reporting date are as follows:

(a) Operating lease commitments

The Group as lessee

	<u>2010</u> US\$	<u>Group</u> <u>2009</u> US\$
Minimum lease payments under operating leases recognised as an expense in the year	<u>570</u>	<u>645</u>

The Group leases a number of offices under operating leases. The leases typically run for an initial period of 1 to 5 years with an option to renew the lease after that date. Lease payments are usually revised when the leases are renewed to reflect market rentals.

At December 31, 2010, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	<u>2010</u> US\$'000	<u>Group</u> <u>2009</u> US\$'000	<u>2010</u> US\$'000	<u>Company</u> <u>2009</u> US\$'000
Within 1 year	482	575	176	282
After 1 year but within 5 years	<u>370</u>	<u>235</u>	<u>255</u>	<u>13</u>
	<u>852</u>	<u>810</u>	<u>431</u>	<u>295</u>

The Group as lessor

The Group leased out its investment property which has been disposed during the year. Operating lease rentals are receivable as follows;

	<u>2010</u> US\$'000	<u>Group</u> <u>2009</u> US\$'000	<u>2010</u> US\$'000	<u>Company</u> <u>2009</u> US\$'000
Within 1 year	-	3	-	-
After 1 year but within 5 years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>

(b) Capital commitments

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Capital expenditure contracted but not provided for in the financial statements is as follows:				
Acquisition of property, plant and equipment	<u>6,200</u>	<u>6,200</u>	<u>-</u>	<u>-</u>

This capital commitment will be funded from the US\$8 million capital injection by Anglo-Gulf.

30 EVENTS AFTER THE REPORTING PERIOD

On March 3, 2011, the Board of Directors announced the resignation of Mr. Martin Cooper as Director and Chief Financial Officer (“CFO”) of the Company. In replacement, the Board of Directors have appointed Mr. Adam Aleksandrowicz as the CFO and Director of the Company. Mr. Aleksandrowicz also serves as the Chief Financial Officer and member of the Managing Board of Bioton S.A., the ultimate holding company.

On March 22, 2011, the Board of Directors announced the resignation of Mr. Ryszard Krzysztof Krauze as a Director and Chairman of the Company. Mr Krauze will continue to serve as the Chairman of the Supervisory Board of Bioton S.A., the ultimate holding company, of the Company. In replacement, Mr Slawomir Ziegert is appointed as the Chairman and Chief Executive Officer of the Company.

31 RETROSPECTIVE RESTATEMENT OF ERRORS

Certain restatements have been made to the prior year’s financial statements to correct the following errors to for a subsidiary in India:

- (a) Adjust for incorrect capitalisation of cost as construction-in-progress
- (b) Reverse revaluation of land
- (c) Adjust for the use of incorrect depreciation rates
- (d) Reclass of lease arrangement from finance lease to operating lease
- (e) Adjust for error in accrued expenses relating to land transfer fee

As a result, certain line items have been amended in the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year’s presentation.

The items in consolidated statement of financial position as at December 31, 2008 were restated as follows:

	<u>Note</u>	<u>Previously reported</u> US\$'000	<u>After restatement</u> US\$'000
Property, plant and equipment	a	49,119	45,304
Accumulated losses	b	(34,351)	(38,166)

Notes:

- (a) Correction of Construction-In-Progress capitalised in prior years (US\$-2,209,000), reversal of revaluation surplus of land (US\$-1,216,000), correction of depreciation rates used by a subsidiary (US\$-390,000).
- (b) Correction of Construction-In-Progress capitalised in prior years (US\$-2,209,000), reversal of revaluation surplus of land (US\$-1,216,000), correction of depreciation rates used by a subsidiary (US\$-390,000).

The items in consolidated statement of financial position as at December 31, 2009 were restated as follows:

	<u>Note</u>	<u>Previously reported</u> US\$'000	<u>After restatement</u> US\$'000
Property, plant and equipment	c	37,355	31,593
Lease prepayments	d	362	817
Trade and other receivables	e	4,165	4,176
Accumulated losses	f	(71,388)	(76,801)
Trade and other payables	g	(19,691)	(19,807)

Notes:

- (c) Correction of Construction-In-Progress capitalised in prior years (US\$-4,043,000), reversal of revaluation surplus of land (US\$-1,216,000), correction of depreciation rates used by a subsidiary (US\$-581,000), reclassification of leasehold prepayment (US\$-455,000), difference in land premium (US\$-14,000), reversal of impairment loss overstated (US\$547,000)
- (d) Reclassification of leasehold prepayment (US\$455,000)
- (e) Correction of prepayment balances (US\$11,000)
- (f) Correction of Construction-In-Progress capitalised in prior years (US\$-4,043,000), reversal of revaluation surplus of land (US\$-1,216,000), correction of depreciation rates used by a subsidiary (US\$-581,000), difference in land premium (US\$-14,000), accruals for land transfer fees (US\$-111,000), correction of gratuity provision (US\$-6,000), reversal of impairment loss overstated (US\$547,000), correction of prepayment (US\$11,000)
- (g) Correction of accruals and gratuity balances (US\$-116,000)

The restatements have resulted in an increase in net loss of 2009 by US\$1,598,000, and was restated in the consolidated statement of comprehensive income for the year ended December 31, 2009.

The items in consolidated statement of comprehensive income for the year ended December 31, 2009 were restated as follows:

	<u>Note</u>	<u>Previously reported</u> US\$'000	<u>After restatement</u> US\$'000
Purchases	h	(6,058)	(6,076)
Staff cost	i	(7,186)	(7,192)
Depreciation of property, plant and equipment	j	(710)	(901)
Amortisation of intangible assets	k	(282)	(527)
Impairment loss on property, plant and equipment	l	(18,376)	(17,829)
Other expenses	m	<u>(7,219)</u>	<u>(8,904)</u>
Basic loss per share		<u>(6,996)</u>	<u>(7,285)</u>

Notes:

- (h) Reclassification of freight charges to purchases of goods (US\$-18,000)
- (i) Understatement of gratuity balances (US\$-6,000)
- (j) Understatement of depreciation expense in prior year due to error in use of depreciation rates by a subsidiary (US\$-191,000)
- (k) Understatement of amortisation expense in prior year for development costs (US\$-245,000)
- (l) Reversal of impairment loss overstated (US\$547,000).
- (m) Error in capitalisation of Construction-In-Progress in prior years (US\$-1,834,000), difference in land premium (US\$-14,000), under-accruals for land transfer fees (US\$-111,000), under-capitalisation of development costs (US\$245,000), correction of prepayment balances (US\$11,000), reclassification of freight charges to purchases (US\$18,000)

The restatements have resulted in a decrease in total equity attributable to equity holders by US\$5,413,000 in 2009, and was restated in the consolidated statement of changes in equity.

The item in consolidated statement of changes in equity as at December 31, 2009 was restated as follows:

	<u>Note</u>	<u>Previously reported</u> US\$'000	<u>After restatement</u> US\$'000
Total equity attributable to equity holders	n	<u>(29,909)</u>	<u>(35,322)</u>

Notes:

- (n) Correction of Construction-In-Progress capitalised in prior years (US\$-4,043,000), reversal of revaluation reserves (US\$-1,216,000) correction of depreciation rates used by a subsidiary (US\$-581,000), difference in land premium (US\$-14,000), accruals for land transfer fees (US\$-111,000), correction of gratuity provision (US\$-6,000), reversal of impairment loss overstated (US\$547,000), correction of prepayment (US\$11,000).

Shareholder information

The shareholder information set out below was applicable as at 28 February 2011.

On-market buy-back

There is no current on-market buy-back.

Distribution of equity securities

Analysis of numbers of equity securities by size of holding:

			Ordinary shares No. of Shares	No. of shareholders
1	-	1,000	62,329	120
1,001	-	5,000	238,668	97
5,001	-	10,000	454,962	59
10,001	-	100,000	7,234,902	203
100,001 and over			544,279,459	57
			552,270,320	536

There were 207 holders of less than a marketable parcel of ordinary shares.

Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

		Ordinary shares	
		Number held	Percentage of issued shares
1	BIOTON S.A.	527,786,735	95.57%
2	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	2,055,760	0.37%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,777,729	0.32%
4	MR BERNARD STAUNTON <THE STAUNTON SUPER A/C>	1,109,038	0.20%
5	CITICORP NOMINEES PTY LIMITED	663,125	0.12%
6	DR ANDREW TAN	597,455	0.11%
7	BEDEL & SOWA CORP PTY LTD	500,000	0.09%
8	MR CHARLES BRUCE LEIBOWITZ	476,486	0.09%
9	R MALA PTY LTD <SUPERFUND A/C>	450,000	0.08%
10	TRUGANINI PTY LTD	449,538	0.08%
11	DANKAB PTY LTD <DANKAB P/L SUPER FUND A/C>	415,582	0.08%
12	MR RAYMOND JOHN GASKELL	408,500	0.07%
13	MR PAUL ANTHONY OCKELFORD	374,943	0.07%
14	MR RONALD JAMES WITNEY	285,000	0.05%
15	RBC GLOBAL SERVICES AUSTRALIA NOMINEES PTY LIMITED	254,732	0.05%

Ordinary shares		
	Number held	Percentage of issued shares
16 MR ARTHUR MORRIS & MRS RAEWYN MORRIS & MR CHRIS HOCQUARD <THE NILOC A/C>	225,000	0.04%
17 MR MARK CHAPMAN	224,399	0.04%
18 MR ANTHONY RONALD BIERRE	214,943	0.04%
19 MR BRUCE KENNETH LOCKETT & MR ROGER MICHAEL KENNEDY & MR CYNRIC REX TEMPE-CAMP <MRS ELAINE TEMPE-CAMP A/C>	209,225	0.04%
20 DINABLE PTY LTD <EBERHARD SUPER FUND A/C>	208,580	0.04%
	538,686,770	97.54%

Substantial shareholders

Substantial holder in the Company is set out below:

	Number held	Percentage of issued shares
Ordinary shares: Bioton S.A.	527,786,735	95.57%

Voting rights

The voting rights attached to each class of equity securities are set out below:

(a) Voting shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

No voting rights.

SCIGEN LTD AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

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SCIGEN LTD AND ITS SUBSIDIARIES
(Registration No. 199805796R)

**REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2010