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Extrawell Pharmaceutical Holdings Limited

(Incorporated in Bermuda with limited liability)
stock code: 858

ANNUAL REPORT
2009

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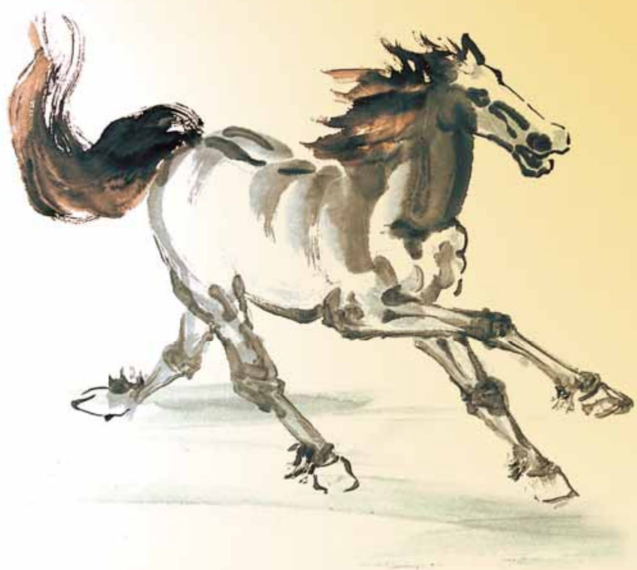

CORPORATE INFORMATION

CHAIRMAN AND EXECUTIVE DIRECTOR

Dr. MAO Yu Min

EXECUTIVE DIRECTORS

Dr. XIE Yi
Dr. LOU Yi
Ms. WONG Sau Kuen

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Mr. FANG Lin Hu
Mr. XUE Jing Lun
Ms. JIN Song

REMUNERATION COMMITTEE

Mr. FANG Lin Hu
Mr. XUE Jing Lun
Ms. JIN Song
Dr. XIE Yi

COMPANY SECRETARY

Mr. LIU Kwok Wah

HONG KONG LEGAL ADVISERS

Chiu & Partners Solicitors

INDEPENDENT AUDITORS

East Asia Sentinel Limited
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3409–10, 34/F,
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Malayan Banking Berhad
The Bank of East Asia, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CHAIRMAN'S STATEMENT

Extrawell
Pharmaceutical Holdings Limited

On behalf of the board of directors of Extrawell Pharmaceutical Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), I am pleased to present the annual report of the Group for the year ended 31 March 2009.

This financial year was a challenging but rewarding year for the Group. It was challenging in the sense that following the financial tsunami global economy was facing a long and deep recession, which would adversely affect the market demands. Nonetheless, it was a rewarding year as there was satisfactory growth in turnover of our manufacturing and trading sectors as a result of relentless and dedicated efforts of our management and marketing teams. Even though keen competition eroded profit of our trading sector, our manufacturing sector saw a successful turnaround.

Despite the global slowdown in economy, the pharmaceutical industry is still undergoing rapid growth as the central government announced its plan in January 2009 by investing RMB850 billion to establish universal health care for every Chinese citizen beginning the year 2010. The plan will further spur expansion in market demand and the prospect is bright. With our quality products, we will further strengthen and array our marketing efforts in order to tap such favorable market opportunities.

The development of oral insulin product has remained the Group's key focus and driver of earnings of the Group in the future. We are optimistic as to the progress of further clinical trial and are committed to deploying the requisite resources to ensure its completion as planned.

Looking forward, the Group will continue to maintain the stable development of its existing businesses by formulating effective business and pricing strategies to secure its market share. At the same time the Group will be actively seeking for investment opportunities in order to broaden its income base and profitability.

The Group will strive to maintain sustainable growth in profitability and a healthy financial position under these unique and challenging circumstances. Besides, the Group will continue to make every effort to improve its corporate governance in order to enhance investors' confidence.

Lastly, on behalf of the Board, I would like to thank all our business partners, customers and shareholders for their continued support, and our employees for their diligent work.

Dr. Mao Yu Min
Chairman

Hong Kong, 27 July 2009

MANAGEMENT DISCUSSION AND ANALYSIS

A. BUSINESS REVIEW

Overall Performance

Although there were tremendous changes in the global economy, the pharmaceutical market in the People's Republic of China (the "PRC") continued maintaining the momentum of fast growth, which was mainly attributed to the industry reforms supported by the PRC government. During the year ended 31 March 2009, Extrawell Pharmaceutical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") were able to achieve a turnover of about HK$184.4 million, representing an increase of 11.7% as compared with that of last financial year.

The reforms had led to a more regulated and disciplined market, which resulted in a more intense price competition. However, with well-received market recognition of the Group's quality products and the established long and stable relationship with its customers, the Group was able to secure its market share whilst at the same time maintain its gross margin. During the year, gross profit increased by 11.2% to about HK$57.9 million as compared to about HK$52.1 million in 2008.

Even though the market competition had driven up the selling and distribution expenses, the reduction in administrative expenses had balanced it off. Profit before taxation increased from about HK$2.4 million to about HK$8.0 million, however, taking into account the unparalleled increase in administrative expenses in 2008, the profit before taxation was managed at comparable level.

The Group's profit for the year attributable to shareholders was about HK$15.6 million, representing an increase of about HK$27.3 million as compared to loss of about HK$11.7 million in 2008. This was mainly due to a write-back of over provision in income tax in 2008.

Turnover and Operating Results

Imported Pharmaceutical Sector

Turnover for the imported pharmaceutical sector recorded a moderate growth of about 12.2% from about HK$123.0 million last year to about HK$138.0 million this year.

The continuous economic growth in the PRC, improved people's awareness of health care and the process of aging population are the main factors attributable to the increase in revenues of this sector; especially the demand of our leading product GM-1 which is a specialized prescription drug for re-establishment of functional recovery of central nervous system with major pharmaceutical indication for vascular or traumatic lesions of central nervous system and Parkinson's disease.

However, increase in marketing expenses to secure market share had offset the effect of increase in revenues. Segment operating profit for the year ended 31 March 2009 dropped by about HK$5.0 million from about HK$15.8 million to about HK$10.8 million.

A. BUSINESS REVIEW (Continued)

Turnover and Operating Results (Continued)

Manufactured Pharmaceutical Sector

Sales of manufactured pharmaceutical products grew mildly by 10.5% from about HK$42.0 million to about HK$46.4 million in 2009, which was mainly attributable to the increase in demand of our major immune regulatory product that could effectively boost up the human immune system.

Leveraging on measures to closely monitor the overhead costs and strengthening marketing and promotional activities to increase in revenues, this sector managed to turn around from operating loss of about HK$5.6 million to operating profit of about HK$3.1 million.

As an ethical manufacturer, we believe that tapping with the competitive advantage of our established brand name products we are back on the right track and are confident to maintain this momentum in future.

Oral Insulin Sector

As further clinical trial is still underway, no revenue was generated in the sector during this year.

Gene Development Sector

During this year, our gene development remained inactive and no revenue was recorded.

Selling and Distribution Expenses

Selling and distribution expenses of the Group increased from about HK$16.3 million in 2008 to about HK$23.2 million in 2009, representing a rise of about 42.1%. The increase in selling and distribution expenses was mainly attributed to the increase in symposium, medical meetings and promotion expenses which were incurred for the introduction and reinforcement of the Group's products to customers in order to maintain our market share.

Administrative Expenses

Administrative expenses of the Group decreased by 13.3% from about HK$35.3 million to about HK$30.6 million which was largely due to reduction in professional expenses.

Other Revenues and Impairment on Trade Receivables

Other revenues mainly comprised reversal of impairment losses, interest income and sundry income. Other revenues decreased by about HK$2.4 million from about HK$9.1 million to about HK$6.7 million this year. This was the result of decrease in reversal of impairment losses by about HK$4.7 million, decrease in interest income by about HK$1.4 million and an increase of consultancy services income from factories by about HK$3.0 million.

At the same time, impairment loss relating to trade receivables also decreased by about HK$2.6 million from about HK$5.4 million to about HK$2.8 million. The decrease was due to tight control over the trade receivables.

A. BUSINESS REVIEW (Continued)

Taxation

Taxation was provided based on the assessable profits of the Group using the existing tax rates. In 2008, the Group had prudently made provisions in relation to the new PRC income tax law. In view of significant exposure by the Group, tax advice had been sought from seasoned PRC tax professionals in order to re-evaluate the quantum of such exposure, and based on their reports, a write back of over provision had been made in the year.

B. OUTLOOK AND PRODUCT DEVELOPMENT

Progress of development of Oral Insulin

This year, the oral insulin project has seen encouraging progress as the SFDA granted the approval document on 30 April 2008 for conducting further clinical trial. As a result, the Company has been committed to allocating the internal resources of the Group to facilitate the progress of this trial as oriented.

At the same time, the timetable for construction of manufacturing plant in relation to the oral insulin has been mutually agreed between the parties with aim to ensure its construction progress to be in line with the approval process of the medicine.

Looking ahead, we are optimistic as to the progress and development of the oral insulin project and consider that with the successful launching of oral insulin, the Group’s sales and profitability will be significantly improved.

C. FINANCIAL REVIEW

Liquidity and Financial Resources

It is the Group's strategy to manage its financial resources conservatively by maintaining a healthy level of cash flows to meet all its financial commitments when they fall due. The Group generally finances its operations with internally generated cash flow and banking facilities.

As at 31 March 2009, the Group had total bank and cash balances (including pledged bank deposits) of about HK$101.2 million (2008: HK$90.4 million), representing a moderate increase by approximately 12.0%.

The Group did not have bank borrowings during the year but with banking facilities on trade finance, which were supported by the pledge of the Group's fixed deposits of about HK$20.5 million (2008: HK$18.2 million) and corporate guarantees from the Company and certain subsidiaries of the Company. In general, there is no significant seasonality fluctuation on trade finance requirement of the Group.

The Group's total borrowing over total assets ratio as at 31 March 2009 was 0.05 (2008: 0.05) calculated based on the Group's total debts of about HK$32.8 million (2008: HK$32.4 million), comprising amount due to a minority shareholder of about HK$32.4 million (2008: HK$32.4 million).

Currency Structure

The Group's business transactions, assets and liabilities are principally dominated in Hong Kong dollars, United States dollars and Renminbi. The Group had limited exposure to foreign exchange rate fluctuation as most of its transactions were mainly conducted in Hong Kong dollars, Renminbi or United States dollars and the exchange rates of these currencies were relatively stable throughout the period. No hedge on foreign currencies was made during the period.

D. EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2009, the Group had 460 employees (2008: 387). Staff costs (including directors' emoluments) for the year ended 31 March 2009 amounted to approximately HK$38.0 million (2008: approximately HK$30.5 million). The increase was mainly due to increase of headcount. The Group has not experienced any significant problems with its employees or disruptions to the operations due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff.

The Group remunerates its employees based on industry practices. Its staff benefits, welfare and statutory contributions, if any, are made in accordance with prevailing labour laws of its operating entities. The employees (including directors) are remunerated according to their performance, work experience and the prevailing market price. Other employee benefits include mandatory provident fund, insurance and medical coverage, training and share option scheme. In August 2002, shareholders of the Company have approved the adoption of a share option scheme (the "Scheme"). The Scheme will enable the Group to reward the employees, the directors and other selected participants for their contribution to the Group and will also assist the Group in its recruitment and retention of high caliber professionals, executives and employees who are instrumental to the growth of the Group.

No share option has been granted under the Scheme.

MANAGEMENT PROFILE

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. Mao Yu Min Ph.D. (aged 57)

Chairman and Executive Director

Dr. Mao Yu Min, Chairman and Executive Director of the Company, is also the Chairman and one of the founders of United Gene Holdings Limited. Dr. Mao was a member of Fudan University Management Committee, senior professor and head of Institute of Genetics, School of Life Science in Fudan University. Dr. Mao's main area of research focuses on biological and genetic engineering. Dr. Mao has accumulated extensive successful experiences in operations in the genomic research based industry. He is responsible for the strategic planning and development of the Group. Dr. Mao joined the Group as an executive director in 2001 and was elected as Chairman of the Company on 22 April 2002. Dr. Mao has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance ("SFO").

Dr. Xie Yi Ph.D. (aged 46)

Executive Director

Dr. Xie Yi, is the Vice Chairman and Chief Executive Officer of United Gene Holdings Limited, Director of United Gene Research Institute, a professor of School of Life Science in Fudan University. Dr. Xie is one of the founders of United Gene group in the PRC. Being a scientist with significant breakthroughs in human genome research, Dr. Xie is currently responsible for research and development and the day-to-day management of United Gene group. Dr. Xie joined the Group as an executive director in 2001. On 29 April 2004, he was appointed as the Chairman of Changchun Extrawell Pharmaceutical Co., Ltd. Dr. Xie has discloseable interests in the Company under the provisions of the SFO.

Dr. Lou Yi (aged 50)

Executive Director

Dr. Lou Yi obtained a doctoral degree in medicine and conducted his postdoctoral research in clinical study at Shanghai Second Medical University (now renamed as School of Medicine, Shanghai Jiaotong University) and industrial economy at Fudan University. Dr. Lou had been a director and general manager of Shanghai Biochip Co. Ltd. and as a director and deputy general manager of General Technology Group Pharmaceutical Holdings, Ltd in China. Dr. Lou was also a non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd., a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, from June 2004 to June 2006. Dr. Lou is currently a director and general manager of various companies owned by Dr. Mao Yu Min and Dr. Xie Yi, both are the directors of the Company.

Ms. Wong Sau Kuen (aged 46)

Executive Director

Ms. Wong Sau Kuen joined the Group in May 2008 as assistant to the Board and was appointed as director in October 2008. Ms. Wong has more than 20 years of experience in both the commercial and industrial sectors including the China pharmaceutical market. Ms. Wong has extensive experience in areas of business administration and internal control and she is currently the Authorized Representative of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Independent Non-executive Directors

Mr. Fang Lin Hu (aged 71)

Independent Non-Executive Director

Mr. Fang Lin Hu was a professor in Fudan University, ex-vice chancellor of the Fudan University overseeing technology industrialization and utilization matters. Mr. Fang was a member of National Information Technology Education and Electronic Education Advisory Committee and vice faculty head of the Physics Faculty of Fudan University, dean of the Electronic Engineering Faculty, the director of Micro-electronic Research Institute. Mr. Fang retired in 2000. Currently, he is the vice Chairman of the Shanghai Senior Professor Association and a Vice President of Shanghai Retired Education Workers Association. Mr. Fang has performed research in the area of microwave theory and technology. He is a well recognized scientist who has extensive experience in scientific research and management. Mr. Fang was appointed as an independent non-executive director in 2001.

Mr. Xue Jing Lun (aged 75)

Independent Non-Executive Director

Mr. Xue Jing Lun was the Chief Professor of Fudan University, a guest professor of the Second Military Medical University of China, Tongji Medical University and Shantou University, Chairman of Chinese Environmental Mutagen Association, a director of International Environmental Mutagen Association, and a committee member of the China Genetic Engineering Society. Mr. Xue retired in April 2007. The research team led by Mr. Xue gained international recognition in the area of gene therapy and transgenic animal research. Mr. Xue has been granted a number of national awards for merits in scientific research and is an internationally recognized genetic scientist. Mr. Xue was appointed as an independent non-executive director in 2001.

Ms. Jin Song (aged 38)

Independent Non-Executive Director

Ms. Jin Song, holds a diploma in engineering from Broadcasting University in Shandong Province and a diploma in business from Fudan University. She is a member of the Chinese Institute of Certified Public Accountants ("CICPA") and passed all the professional examinations held by CICPA in 2001. Ms. Jin has more than 10 years' experience in accounting in different industries. Ms. Jin was appointed as an independent non-executive director in 2004.

Senior Management

Dr. Wen Ming (aged 48)

Head of Research and Development Department

Dr. Wen Ming joined the Group in 1992. He is responsible for overseeing the regulatory affairs and research & development and the registration of the Group's products. Dr. Wen graduated with a bachelor degree in medical science from the Guangzhou Medical College and obtained a master degree in medical science from Sun Yat Sen University of Medical Sciences (now renamed as the Sun Yat Sen University). Prior to joining the Group, Dr. Wen worked in a hospital of Sun Yat Sen University as the chief physician for ten years.

Dr. Jiang Jian Yong Ph.D. (aged 53)

General Manager of Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd ("JECP")

Dr. Jiang Jian Yong Ph.D. joined the Group in 2002. Dr. Jiang is responsible for the overall activities of JECP. He received a Ph.D. from Medical College, University of Bergen, Norway in 1997. Prior to joining the Group, he worked with a pharmaceutical company in Canada as the manager of Research and Development Department.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Dr. Liu Xian (aged 52)

Head of National Sales and Marketing Department

Dr. Liu Xian joined the Group in 1993. He is responsible for overseeing the imported pharmaceutical sales and marketing activities in the PRC. Dr. Liu graduated from the medical unit of the Guangzhou Medical College. He has nearly 17 years of experience in the pharmaceutical field. Prior to joining the Group, Dr. Liu worked in the Guangzhou Thoracic Hospital as a doctor and worked for the Glaxo group of companies in the PRC.

Mr. Zhen Lu (aged 39)

National Sales Manager

Mr. Zhen Lu joined the Group as Product Marketing Manager in 2000. He is responsible for the formulation of marketing strategies for the Group's imported pharmaceutical business in the PRC. He graduated from Beijing Medical University majoring in Biology. Prior to joining the Group, he worked in Guangdong Huajian Medical Company Limited as Product Manager and in Guangdong Weiteman Medical Company Limited as the Medical Equipment Manager in 1998.

Dr. Lin Guang Xiang (aged 42)

Product Development Manager

Dr. Lin Guang Xiang joined the Group in 1995. He graduated from Zhongsan University majoring in Medical Science. Dr. Lin is responsible for imported pharmaceutical product marketing and promotional activities. Prior to joining the Group, he was a resident physician in Guangzhou No. 2 People's Hospital and worked in United Kingdom pharmaceutical company, Wellcome group in the PRC.

Mr. Chan Lian Bang (aged 54)

General Manager of Changchun Extrawell Pharmaceutical Co., Ltd ("CEP")

Mr. Chan Lian Bang joined the Group in 1992. Mr. Chan is responsible for the formulation of marketing policy and strategy for CEP. Mr. Chan has over 30 years' experience in the pharmaceutical industry. Prior to joining the Group, he worked with a state-owned pharmaceutical enterprise as a factory manager in the PRC.

Mr. Liu Kwok Wah (aged 47)

Financial Controller and Company Secretary

Mr. Liu Kwok Wah joined the Group in November 2008 and holds a Master's degree in Business Administration. Mr. Liu is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, he had worked for international accounting firms and several listed companies in Hong Kong.

Ms. Wu Hong (aged 37)

Senior Finance Manager

Ms. Wu Hong, a qualified accountant in the PRC, joined the Group in 1995 and is responsible for all the financial matters in the PRC of the Group. She graduated from Jiangsu Television Broadcast University, majoring in Foreign Trading Accounting. Before joining the Group, she worked with a joint venture company in the PRC.

CORPORATE GOVERNANCE REPORT

A. CORPORATE GOVERNANCE PRACTICES

The Group recognizes the importance of achieving and monitoring the high standard of corporate governance consistent with the need and requirements of its business and the best interest of all of its shareholders. The Group is fully committed to doing so.

During the year ended 31 March 2009, the Company has adopted and applied the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") save as disclosed below. It is with the objectives in mind that the Group has applied such principles and will comply with the individual code provisions.

(a) Code provisions A1.3 and A6.1 stipulate that 14-days notice should be given for each regular board meeting and that in respect of regular meetings, and so far as practicable in all other cases, an agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or such other period as agreed). The Company agrees that sufficient time should be given to the directors in order to make a proper decision. In these respects, the Company adopts a more flexible approach (and yet sufficient time has been given) in convening board meetings to ensure efficient and prompt management decisions could be made.

(b) Code provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Company deviates from the above code provision as the independent non-executive directors ("INEDs") are not appointed for specific terms. According to the bye-laws of the Company, however, the INEDs are subject to retirement and re-election. The reason for the deviation is that the Company believes that the directors ought to be committed to representing the long term interest of the Company's shareholders.

(c) Code provision A4.2 stipulates that every director should be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the directors shall retire from office by rotation provided that the Chairman, Deputy Chairman or Managing Director shall not be subject to retirement by rotation. The Company's bye-laws deviate from the code provision. The Company considers that the continuity of the Chairman/Deputy Chairman/Managing Director and their leadership is essential for the stability of the business and key management. The rotation methodology ensures a reasonable continuity of directorship which is to the best interest of the Company's shareholders.

(d) Code provision A4.2 also stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. According to the bye-laws of the Company, any director so appointed shall hold office only until the next following annual general meeting. The Company's bye-laws deviate from the code provision. However, the Company believes that it is in the best interest of the Company's shareholders to transact this ordinary course of business in the annual general meeting.

A. CORPORATE GOVERNANCE PRACTICES (Continued)

(e) Code provision E1.2 stipulates that the Chairman of the Board should attend the annual general meeting of the Company. Due to business meeting commitments overseas, Dr. Mao Yu Min was unable to attend the annual general meeting of the Company held on 30 September 2008. Dr. Xie Yi, executive director of the Company, was appointed to chair the annual general meeting in accordance with the provisions of the Company's bye-laws.

The Company will continue to review and monitor the situation as stated above, and to improve the practices as and when the circumstances demand.

B. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the annual report.

C. BOARD OF DIRECTORS

As at the date of this annual report, the board of directors (the "Board") comprises four executive directors and three INEDs as follows:

Executive Directors
Dr. Mao Yu Min *(Chairman)*
Dr. Xie Yi
Dr. Lou Yi
Ms. Wong Sau Kuen

Independent Non-executive Directors
Mr. Fang Lin Hu
Mr. Xue Jing Lun
Ms. Jin Song

There is no other relationship (including financial, business, family or other material/relevant relationship) among the members of the Board. The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The management is delegated with the authority and responsibility by the Board for the day-to-day management of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for Board's approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate internal control systems and risk management procedures, and compliance with relevant statutory and regulatory requirements and rules and regulations.

C. BOARD OF DIRECTORS (Continued)

Each of the INEDs has complied with the provisions set out in Rule 3.13 of the Listing Rules and the Company also considers that they are independent under the Listing Rules. Of the three INEDs, Ms. Jin has appropriate accounting or related financial management experience as required under Rule 3.10(2) of the Listing Rules.

During the year ended 31 March 2009, 16 board meetings (excluding committee meetings) were held and attendance of each director is set out as follows:

Name of Directors	Number of attendance
Dr. Mao Yu Min	14/16
Mr. Ho Chin Hou (resigned on 12 March 2009)	1/16
Mr. Ho Yu Ling (retired on 30 September 2008)	4/16
Mr. Li Qiang (retired on 30 September 2008)	4/16
Dr. Xie Yi	16/16
Dr. Lou Yi (appointed on 6 October 2008)	4/16
Ms. Wong Sau Kuen (appointed on 6 October 2008)	5/16
Mr. Fang Lin Hu	5/16
Mr. Xue Jing Lun	9/16
Ms. Jin Song	5/16

No nomination committee was appointed during the year in relation to removal and appointment of directors.

D. CHAIRMAN AND DAY-TO-DAY MANAGEMENT

Dr. Mao Yu Min, the Chairman of the Company, is responsible for the management of the Board and Dr. Xie Yi is responsible for the day-to-day management of the Group's business. Their roles are clearly defined and segregated to ensure balanced power and responsibilities.

E. NON-EXECUTIVE DIRECTORS

Pursuant to Code provision A4.1, non-executive directors should be appointed for a specific term, subject to re-election and, pursuant to Code provision A4.2, every director shall retire by rotation at least once every three years. None of the INEDs of the Company is appointed for a specific term and according to the bye-laws of the Company, one-third of the directors (except for the Chairman) shall retire from office by rotation and become eligible for re-election. The reason for the deviation is that the Company believes that the directors ought to be committed to representing the long term interest of the Company's shareholders and the rotation methodology ensures a reasonable proportion of directors in continuity which is to the best interest of the Company's shareholders.

The function of the INEDs includes but not limited to participating in board meetings and meetings of committees to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct.

F. REMUNERATION OF DIRECTORS AND REMUNERATION COMMITTEE

The Remuneration Committee was set up with specific terms of reference which state clearly its authority and duties. It advises the Board on the remuneration of the directors and senior management of the Company.

As at 31 March 2009, in line with good and fair practice, members of the Remuneration Committee consisted of all INEDs; namely Mr. Fang Lin Hu (Chairman), Mr. Xue Jing Lun, Ms. Jin Song, and Dr. Xie Yi.

During the year ended 31 March 2009, three Remuneration Committee meetings were held and attendance of each director is set out as follows:

Name of Directors	Number of attendance
Mr. Fang Lin Hu	2/3
Mr. Xue Jing Lun	3/3
Ms. Jin Song	3/3
Dr. Xie Yi	2/3

The emoluments of the directors are reviewed and recommended by the Remuneration Committee and/or decided by the Board as authorized by the shareholders at the annual general meeting according to individual performance and prevailing market conditions. The Company has also adopted a share option scheme as an incentive to the directors and the senior management. The Board conducts regular review of the remuneration policy and structure of the directors and senior management which will take into account the prevailing market condition and the responsibility of individual members. The Remuneration Committee has approved the existing remuneration packages of the directors.

G. AUDITORS' REMUNERATION

An analysis of remuneration in respect of audit and non-audit services provided by East Asia Sentinel Limited for the year ended 31 March 2009 is as follows:

	HK$'000
Audit services	600
Non-audit services	—

H. AUDIT COMMITTEE

The Company has established an Audit Committee with specific written terms of reference that have included the duties which are set out in Code provision C3.3 with appropriate modification when necessary.

The major role and function of the Audit Committee are to ensure the maintenance of proper relationship with the Company's auditor, the establishment of proper review and control arrangements relating to internal control systems, financial reporting and the compliance to applicable reporting requirements.

The current members of the Audit Committee are Mr. Fang Lin Hu (Chairman), Mr. Xue Jing Lun and Ms. Jin Song. During the year ended 31 March 2009, five Audit Committee meetings were held and attendance of each director is set out as follows:

Name of Directors	Number of attendance
Mr. Fang Lin Hu	2/5
Mr. Xue Jing Lun	5/5
Ms. Jin Song	5/5

The Audit Committee reviewed the half yearly and full year consolidated financial statements, including the Group's adopted accounting principles and practices, internal control systems and financial reporting matters (in conjunction with the external auditor for the full year results). The Audit Committee endorsed the accounting treatments adopted by the Company and, to the best of its ability assured itself that the disclosures of the financial information in this report comply with the applicable accounting standards and Appendix 16 of the Listing Rules.

I. FINANCIAL REPORTING

The directors of the Company acknowledged their responsibility for preparing the financial statements of the Group in accordance with the requirements of the Listing Rules and applicable statutory requirements and accounting standards. The Group had adopted the going concern basis in preparing its financial statements.

A statement by the auditors of the Company about their reporting responsibilities is set out in the "Independent Auditors' Report" on pages 26 to 28 of this annual report.

J. INTERNAL CONTROL

The Board is responsible for overseeing the Group's internal control systems and to ensure that sound and effective control systems are maintained. The Board is responsible for approving and reviewing internal control policies while day-to-day management of operational risks and implementation of mitigation measures lie with the management.

For the year ended 31 March 2009, the Company has engaged an independent professional consultant; namely Baker Tilly Hong Kong Business Services Limited ("Baker Tilly") to conduct an annual review of the effectiveness of its control systems of the Company as well as to follow up the implementation of recommendations made by RSM Nelson Wheeler Consulting Limited ("RSM Consulting") in its report submitted in year 2008.

Based on the assessment made by Baker Tilly, the Company has set up sound and effective internal control mechanism and has undertaken various measures in response to the recommendations made by RSM Consulting in order to improve its internal control systems, with room for further improvement.

On 21 July 2009, the Company submitted a detailed report as prepared by the Independent Board to the Stock Exchange in respect of the issues of internal control system and corporate governance practices of the Group in order to substantiate the Company's application of lifting the suspension of trading of the Company's shares on the Stock Exchange. The Company will keep the shareholders and investors informed of the progress in this matter.

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries consist of marketing and distribution of pharmaceutical products in the People's Republic of China (the "PRC"); development, manufacturing and sales of pharmaceutical products in the PRC; commercial exploitation and development of genome-related technology; and the development and commercialisation of oral insulin products.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 29.

The state of affairs of the Group as at 31 March 2009 is set out in the consolidated balance sheet on page 30.

The directors do not recommend the payment of any dividend in respect of the year.

FIVE YEARS' FINANCIAL SUMMARY

A summary of the results and the assets, liabilities and minority interests of the Group for the last five financial years is set out on page 76.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in the share capital of the Company during the year. Details of the share capital of the Company are set out in note 32 to the financial statements. Information about share options and share option scheme of the Company is set out in note 33 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2009, the reserves of the Company available for cash distribution and/or distribution in specie amounted to HK$59,776,000 as computed in accordance with the Bermuda Companies Act 1981. In addition, the Company's share premium account with a balance of HK$133,700,000 as at 31 March 2009 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2009, turnover attributable to the Group's five largest customers accounted for less than 29% of the Group's turnover.

For the year ended 31 March 2009, purchases attributable to the Group's five largest suppliers accounted for approximately 87% of the Group's purchases and purchases attributable to the Group's largest supplier accounted for approximately 59% of the Group's purchases.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owned more than 5% of the Company's issued share capital) had any interests in the Group's five largest suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors:

Mao Yu Min	
Xie Yi	
Lou Yi	*(appointed on 6 October 2008)*
Wong Sau Kuen	*(appointed on 6 October 2008)*
Ho Chin Hou	*(resigned on 12 March 2009)*
Ho Yu Ling	*(retired on 30 September 2008)*
Li Qiang	*(retired on 30 September 2008)*

Independent non-executive directors:

Fang Lin Hu
Xue Jing Lun
Jin Song

In accordance with the Company's bye-law 111, save as the Chairman, the directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

The Company has received annual confirmation of independence from Messrs. Fang Lin Hu, Xue Jing Lun and Jin Song and still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 12 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory obligation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of the directors with reference to directors' duties, responsibilities and performance and the result of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Except for disclosed in the financial statements, no director had material interests, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

At 31 March 2009, the interests and short position of the directors in the share capital and underlying shares of the Company or its associated corporations within the meaning of Part XV of the Securities and Future Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

1. Long position in ordinary shares of the Company

		Number of ordinary shares of HK$0.01 each held, capacity and nature of interest	
Name of directors	*Notes*	**Through controlled corporations**	**Percentage of the Company's issued share capital**
Mao Yu Min	*(a)*	480,000,000	20.96%
Xie Yi	*(a)*	480,000,000	20.96%
Ho Yu Ling *(retired on 30 September 2008)*	*(b)*	52,000,000	2.27%

Notes:

(a) JNJ Investments Ltd. ("JNJ Investments") and Fudan Pharmaceutical Limited ("FPL") own 450,000,000 and 30,000,000 ordinary shares of the Company, respectively.

The entire issued share capital of JNJ Investments is owned by Biowindow Gene Development (Hong Kong) Limited ("HK Biowindow"), the issued share capital of which is owned as to 99% by United Gene Group Ltd. (a company incorporated in the British Virgin Islands) ("United Gene Group"), as to 0.99% by 聯合基因科技有限公司 (United Gene Holdings Limited) (a company registered in the People's Republic of China) ("United Gene-PRC") and as to 0.01% by Shanghai Biowindow Gene Development Co., Ltd. ("Shanghai Biowindow").

The issued share capital of United Gene Group is owned as to 33% by United Gene Holdings Limited (a company incorporated in the British Virgin Islands) ("United Gene-BVI") and as to 33% by Ease Gold Investments Limited. The issued share capital of United Gene-BVI and Ease Gold Investments Limited is wholly owned by Dr. Mao Yu Min and Dr. Xie Yi respectively, directors of the Company.

The capital of Shanghai Biowindow is 60% owned by United Gene-PRC, 13.575% owned by Dr. Xie Yi and 13.575% owned by Ms. Sheng Xiao Yu, who is the wife of Dr. Mao Yu Min. The equity capital of United Gene-PRC is beneficially owned as to 33.5% by Dr. Mao Yu Min and as to 33.5% (including 8.5% direct interest and 25% indirectly through his shareholding in Ease Gold Investments Limited) by Dr. Xie Yi.

HK Biowindow owns 80% of the share capital of FPL.

(b) These shares are owned by Well Success Limited, a company incorporated in the British Virgin Islands, the entire issued capital of which is owned by Mr. Ho Yu Ling.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES (Continued)

2. Long position in shares of associated corporations

Name of director	Name of associated corporation	Relationship with the company	Shares/ equity derivative	Number of shares/equity derivative held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital/paid-up capital
Ho Chin Hou (Resigned on 12 March 2009)	Extrawell Enterprises Limited	Company's subsidiary	Non-voting deferred shares	100,000 shares *(Note)*	Through controlled corporation	100% of the non-voting deferred shares
Ho Yu Ling (Retired on 30 September 2008)	Extrawell Enterprises Limited	Company's subsidiary	Non-voting deferred shares	100,000 shares *(Note)*	Through controlled corporation	100% of the non-voting deferred Shares

Note: Extrawell Holdings Limited ("EHL"), a related company of the Group, owns 100,000 non-voting deferred shares of HK$10 each in Extrawell Enterprises Limited. Messrs. Ho Chin Hou and Ho Yu Ling are beneficial shareholders of EHL.

Save as disclosed above, as at 31 March 2009, none of the directors had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or minor children to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

At 31 March 2009, the following interests and short position of 5% or more of the issued share capital of the Company were recorded in the register of interests requires to be kept by the Company pursuant to Section 336 of the SFO.

Name of substantial shareholders	*Notes*	**Capacity and nature of interest**	**Number of shares held/entitled**	**Approximate percentage of interest held**
Ease Gold Investments Limited	*a*	Through controlled corporations	480,000,000	20.96%
United Gene-BVI	*a*	Through controlled corporations	480,000,000	20.96%
United Gene Group Ltd.	*a*	Through controlled corporations	480,000,000	20.96%
HK Biowindow	*a*	Through controlled corporations	480,000,000	20.96%
JNJ Investments	*a*	Directly beneficially owned	450,000,000	19.65%
Ong Cheng Heang	*b*	Directly beneficially owned	300,000,000	13.10%

Notes :

(a) JNJ Investments and FPL own 450,000,000 and 30,000,000 ordinary shares of the Company, respectively.

The entire issued share capital of JNJ Investments is owned by HK Biowindow, the issued share capital of which is owned as to 99% by United Gene Group, as to 0.99% by United Gene-PRC and as to 0.01% by Shanghai Biowindow.

The issued share capital of United Gene Group is owned as to 33% by United Gene-BVI and as to 33% by Ease Gold Investments Limited. The issued share capital of United Gene-BVI and Ease Gold Investments Limited is wholly owned by Dr. Mao Yu Min and Dr. Xie Yi respectively, directors of the Company.

The capital of Shanghai Biowindow is 60% owned by United Gene-PRC, 13.575% owned by Dr. Xie Yi and 13.575% owned by Ms. Sheng Xiao Yu, who is the wife of Dr. Mao Yu Min. The equity capital of United Gene-PRC is beneficially owned as to 33.5% by Dr. Mao Yu Min and as to 33.5% (including 8.5% direct interest and 25% indirectly through his shareholding in Ease Gold Investments Limited) by Dr. Xie Yi.

HK Biowindow owns 80% of the share capital of FPL.

(b) Mr. Ong Cheng Heang is interested in 300,000,000 shares (the "New Shares") which are the new shares of the Company to be allotted and issued to him pursuant to a conditional sale and purchase agreement entered into between Extrawell (BVI) Limited ("Extrawell BVI") and the vendor on 27 July 2007 in connection with the proposed acquisition of the 4,900 ordinary shares in Smart Ascent Limited by a subsidiary of the Company from Mr. Ong Cheng Heang, the son-in-law of a former director of the Company, Mr. Ho Chin Hou (who resigned on 12 March 2009). The New Shares have not been issued up to date of this report.

Save as disclosed above, as at 31 March 2009, no person, other than certain directors of the Company, whose interests are set out in the section "Directors' interests and short position in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED AND RELATED PARTY TRANSACTIONS

On 27 July 2007, the Group entered into a contract with the minority shareholder of Smart Ascent Limited ("Smart Ascent") (a 51% owned subsidiary of the Company), who is a son-in-law of a former director of the Company, to acquire the remaining 49% interests in Smart Ascent. The transaction constituted a connected transaction under the Rules Governing Listing of Securities on the Stock Exchange (the "Listing Rules").

During the three years ended 31 March, 2005, 2006 and 2007, Extrawell BVI, a wholly owned subsidiary of the Company, had advanced to Smart Ascent approximately HK$1,230,000, HK$1,586,000 and HK$1,142,000 respectively. The advances were made on normal commercial terms to meet the operational and administrative expenses of the Smart Ascent and its subsidiaries, namely Fosse Bio-Engineering Development Limited ("Fosse Bio") and Welly Surplus Development Limited ("Welly Surplus"). The advances are unsecured, non-interest bearing and repayable upon demand. As the minority shareholder of Smart Ascent is a connected person to the Company, and as such these advances constituted connected transactions subject to disclosure requirements under the Listing Rules.

Further details of the significant connected and related party transactions and directors' interests in contracts for the year are set out in notes 21(c) and 36 to the financial statements in compliance with the disclosure requirements of the Listing Rules.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in "connected and related party transactions" above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standards set out in the Model Code, throughout the accounting period covered by the annual report.

CORPORATE GOVERNANCE

Save as the deviations, and the reason thereof, as disclosed in the Corporate Governance Report set out on pages 13 to 18, in the opinion of the directors, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the year.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws of the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDIT COMMITTEE

The Company has established an Audit Committee (the "Committee"), with written terms of reference, in compliance with Rules 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Committee comprises three independent non-executive directors. The Group's financial statements for the year ended 31 March 2009 have been reviewed by the Committee. The Committee is of the opinion that such financial statements comply with the applicable accounting standards, and Stock Exchange's and legal requirements, and that adequate disclosures have been made.

INDEPENDENT AUDITORS

East Asia Sentinel Limited was appointed as the independent auditors of the Company in succession to RSM Nelson Wheeler who resigned as independent auditors with effect from 26 March 2009 upon the issuance of a resignation letter to the Company.

The financial statements for the year were audited by East Asia Sentinel Limited, who will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting.

On behalf of the Board

Dr. Mao Yu Min
Chairman

Hong Kong, 27 July 2009

INDEPENDENT AUDITORS' REPORT

East Asia Sentinel Limited
衛亞會計師事務所有限公司
Certified Public Accountants

22/F, Tai Yau Building
181 Johnston Road
Wanchai, Hong Kong

Tel : +852 2521 2328
Fax : +852 2525 9890

www.EastAsiaSentinel.com

TO THE SHAREHOLDERS OF
EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Extrawell Pharmaceutical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 75, which comprise the consolidated and the Company balance sheets as at 31 March 2009 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2009 and of Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF SIGNIFICANT MATTERS

There are two significant matters that need to be highlighted in this Report.

a. As set out in note 20 to the financial statements, included in Intangible Assets as at 31 March 2009 is the technological know-how with the carrying value of approximately HK$284,260,000 (2008: HK$284,260,000) (the "Know-how") in relation to an oral insulin product (the "Product") and the exclusive right for the commercialization of the Product owned by the Group. The Know-how is held by an indirect subsidiary of the Group, Fosse Bio-Engineering Development Limited ("Fosse Bio"), a company in which also an indirect subsidiary of the Group, Smart Ascent Limited ("Smart Ascent") had acquired a 51% interest in November 2003, and through the Group's acquisition of a 51% interest in Smart Ascent in March 2004. In an appraisal conducted by an independent professional valuer, the Know-how is valued at an amount that is no less than HK$284,260,000. Notwithstanding this valuation, the recoverability of the carrying value of the Know-how is still uncertain as it depends upon the result of the clinical trial and the successful launching of the product. Should the outcomes of the clinical trial and the launching of the product be unsuccessful, material adjustments may have adverse effect on the business and results of the Group.

b. As set out in note 21(c) to the financial statements, in connection with the acquisition of the shares of Fosse Bio as referred to in the above paragraph, Smart Ascent owed the vendors of the sales of the 51% interest of Fosse Bio (the "Fosse Bio Vendors") the amount of HK$31,780,000 (2008: HK$31,780,000), being the third and fourth installments of the consideration for the 51% interest of Fosse Bio. The repayment of these two installments is to be made upon the issuance of certain certificates of the clinical trial as well as the Product by the State Food and Drug Administration of the PRC. At the time when the Group acquired the 51% interest in Smart Ascent, this liability continues to exist but the vendors of the sales of the 51% interest of Smart Ascent (the "Smart Ascent Vendors") undertook to pay the full HK$31,780,000 as and when the amount becomes due and payable. As security for this undertaking, Mr. Ong Cheng Heang ("Mr. Ong"), a minority shareholder of Smart Ascent, pledged to the Group his shares of Smart Ascent representing the balance of the 49% interest in Smart Ascent. There is no assurance that the Smart Ascent Vendors are capable of repaying the full HK$31,780,000. While this risk of recoverability is mitigated by the shares representing the 49% interest in Smart Ascent, the risk continues to exist in the event that the Group fails to realize the profitability from the Product as mentioned in the above paragraph, it would suffer a further loss in respect of this amount of HK$31,780,000. In addition, the Group has entered into an agreement to acquire from Mr. Ong the pledged of his 49% interest. Similar to the matter mentioned in Paragraph (a) above, the risks in relation to the Product will affect the Group's ability to recover the payment for the liability of HK$31,780,000.

Having considered the availability of the appraisal report by the independent professional valuer of the value of the Know-how and the disclosure in the notes to the financial statements, we consider the uncertainty as to the risks associated with the assets as mentioned in the above two paragraphs to be adequately disclosed in the financial statements and do not find it necessary to make further qualifications in this report in respect of the value of the Know-how or the receivables.

East Asia Sentinel Limited
Certified Public Accountants

So Kwok Keung Keith
Director
Practising Certificate No. P1724

Hong Kong, 27 July 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	NOTE	2009 HK$'000	2008 HK$'000
TURNOVER	7	**184,434**	165,079
COST OF SALES		**(126,547)**	(113,004)
GROSS PROFIT		**57,887**	52,075
OTHER REVENUES	8	**6,676**	9,111
SELLING AND DISTRIBUTION EXPENSES		**(23,188)**	(16,324)
ADMINISTRATIVE EXPENSES		**(30,596)**	(35,295)
IMPAIRMENT ON INTANGIBLE ASSETS		**—**	(1,600)
IMPAIRMENT ON TRADE RECEIVABLES		**(2,788)**	(5,410)
PROFIT FROM OPERATIONS		**7,991**	2,557
FINANCE COSTS	10	**(2)**	(164)
PROFIT BEFORE TAXATION	12	**7,989**	2,393
TAXATION	11	**9,418**	(15,728)
PROFIT/(LOSS) FOR THE YEAR		**17,407**	(13,335)
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		**15,551**	(11,735)
MINORITY INTERESTS		**1,856**	(1,600)
		17,407	(13,335)
DIVIDENDS	15	**—**	—
		HK cents	HK cents
EARNINGS/(LOSS) PER SHARE			
BASIC	17	**0.68**	(0.51)
DILUTED	17	**N/A**	N/A

The notes on pages 35 to 75 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	NOTE	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**53,252**	53,854
Prepaid land lease payments	19	**14,428**	14,251
Intangible assets	20	**285,676**	285,782
Amounts due from minority shareholders	22	**9,054**	—
		362,410	353,887
CURRENT ASSETS			
Inventories	23	**28,291**	18,639
Trade receivables	24	**89,675**	97,948
Deposits, prepayments and other receivables	25	**64,455**	58,697
Amounts due from minority shareholders	22	**3**	8
Pledged bank deposits	26	**20,498**	18,160
Bank and cash balances	26	**80,718**	72,234
		283,640	265,686
CURRENT LIABILITIES			
Trade and bills payables	27	**10,401**	13,023
Accruals and other payables		**44,563**	44,513
Amounts due to minority shareholders	28	**32,847**	32,404
Dividend payable to minority shareholders	30	**1,298**	—
Current tax liabilities		**6,163**	16,654
		95,272	106,594
NET CURRENT ASSETS		**188,368**	159,092
TOTAL ASSETS LESS CURRENT LIABILITIES		**550,778**	512,979
NON-CURRENT LIABILITIES			
Amounts due to minority shareholders	28	**13,672**	—
Deferred tax liabilities	31	**102**	102
		13,774	102
NET ASSETS		**537,004**	512,877
CAPITAL AND RESERVES			
Share capital	32	**22,900**	22,900
Reserves	34	**299,272**	274,020
Equity attributable to equity holders of the Company		**322,172**	296,920
Minority interests		**214,832**	215,957
TOTAL EQUITY		**537,004**	512,877

Mao Yu Min
Director

Xie Yi
Director

The notes on pages 35 to 75 form an integral part of these financial statements.

BALANCE SHEET

As at 31 March 2009

	NOTE	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	*21*	**141,949**	149,818
CURRENT ASSETS			
Dividend receivable		**69,232**	69,232
Prepayments	*25*	**240**	221
Bank balances	*26*	**17**	20
		69,489	69,473
CURRENT LIABILITIES			
Accruals and other payables		**1,728**	2,898
NET CURRENT ASSETS		**67,761**	66,575
NET ASSETS		**209,710**	216,393
CAPITAL AND RESERVES			
Share capital	*32*	**22,900**	22,900
Reserves	*34*	**186,810**	193,493
TOTAL EQUITY		**209,710**	216,393

Mao Yu Min
Director

Xie Yi
Director

The notes on pages 35 to 75 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Attributable to the equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Foreign currency transaction reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
FOR THE YEAR ENDED 31 MARCH 2008									
At 1 April 2007	22,900	133,717	4,563	4,839	12,045	120,855	298,919	217,565	516,484
Exchange differences	—	—	—	—	9,736	—	9,736	(8)	9,728
Loss for the year	—	—	—	—	—	(11,735)	(11,735)	(1,600)	(13,335)
Transfer to capital reserve	—	—	956	—	—	(956)	—	—	—
At 31 March 2008	22,900	133,717	5,519	4,839	21,781	108,164	296,920	215,957	512,877
FOR THE YEAR ENDED 31 MARCH 2009									
At 1 April 2008	22,900	133,717	5,519	4,839	21,781	108,164	296,920	215,957	512,877
Exchange differences	—	—	—	—	9,701	—	9,701	(1)	9,700
Profit for the year	—	—	—	—	—	15,551	15,551	1,856	17,407
Dividend payable to minority interests	—	—	—	—	—	—	—	(2,980)	(2,980)
Transfer to capital reserve	—	—	1,023	—	—	(1,023)	—	—	—
At 31 March 2009	22,900	133,717	6,542	4,839	31,482	122,692	322,172	214,832	537,004

The notes on pages 35 to 75 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,989	2,393
Adjustments for:		
Amortisation of intangible assets	543	554
Amortisation of prepaid land lease payments	520	490
Depreciation of property, plant and equipment	5,094	4,681
(Decrease)/increase in allowance for obsolete inventories	(1,851)	510
Impairment on trade receivables	2,788	5,410
Impairment on intangible assets	—	1,600
Gain on disposal of property, plant and equipment	(70)	—
Write off of property, plant and equipment	—	340
Reversal of impairment on trade receivables	(1,026)	(5,761)
Finance costs	2	164
Interest income	(1,424)	(2,841)
Operating profit before working capital changes	12,565	7,540
(Increase) in inventories	(7,801)	(6,696)
Decrease/(increase) in trade receivables	5,521	(16,110)
(Increase) in deposits, prepayments and other receivables	(5,758)	(3,325)
(Decrease)/increase in trade and bills payables	(2,622)	3,366
Increase in accruals and other payables	50	17,602
Cash generated from operations	1,955	2,377
Income tax paid	(1,176)	(705)
Interest received	1,424	2,841
Interest paid	(2)	(164)
NET CASH GENERATED FROM OPERATING ACTIVITIES	2,201	4,349
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1,719	—
Purchases of property, plant and equipment	(3,322)	(287)
Purchase of intangible assets	—	(11)
Increase in pledged bank deposits	(2,338)	(10,628)
NET CASH USED IN INVESTING ACTIVITIES	(3,941)	(10,926)

	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
(Increase) in amounts due from minority shareholders	(9,049)	—
Increase in amounts due to minority shareholders	14,115	—
Decrease in trust receipts loans	—	(3,543)
(Repayment to) a director	—	(3,257)
Dividend paid to a minority shareholder	(1,682)	—
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	3,384	(6,800)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,644	(13,377)
EFFECT ON FOREIGN EXCHANGE RATE CHANGES	6,840	6,642
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	72,234	78,969
CASH AND CASH EQUIVALENTS AT END OF YEAR	80,718	72,234
ANALYSIS OF THE CASH AND CASH EQUIVALENTS		
Bank and cash balances	80,718	72,234

The notes on pages 35 to 75 form an integral part of these financial statements.

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Room 3409–10, 34/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 21 to the financial statements.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance. A summary of significant accounting policies adopted by the Group is set out in note 4.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and derivatives which are carried at their fair values.

These financial statements are presented in Hong Kong dollars which is the same as the functional currency of the Group and the Company, and all values are rounded to the nearest thousand dollar except when otherwise indicated.

3.1 IMPACT OF THE ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting period of the Group. The directors are of the view that these new and revised HKFRSs do not have any impact on the Group's financial statements since they are not relevant or applicable to the Group.

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements:

HKFRSs (Amendments)	Improvements to HKFRSs[3]
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]

1 *Effective for annual periods beginning on or after 1 January 2009.*

2 *Effective for annual periods beginning on or after 1 July 2009.*

3 *Improvements to HKFRSs contain amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position. The Group will apply HKAS 27 (revised) and HKFRS 3 (Revised) prospectively to transactions with non-controlling interest and all business combinations from 1 April 2010 respectively.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation

(i) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

(ii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

— Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives and annual rates are as follows:

Buildings	Over the lease terms of the relevant leasehold land
Plant and machinery	10% to 20%
Furniture, fixtures and equipment	10% to 30%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(e) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(f) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's products development is recognised only if all of the following conditions are met:

— An asset is created that can be identified (such as software and new processes);

— It is probable that the asset created will generate future economic benefits; and

— The development cost of the asset can be measured reliably.

Internally generated intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is charged to the income statement in the period in which it is incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Intangible assets

Intangible assets, which comprise rights to technological know-how and the rights to commercially exploit certain gene inventions, are stated at cost less accumulated amortization and impairment losses. The categories of the intangible assets are summarised as follows:

Technological know-how

This category consists of the rights to technological know-how for the development and production of general pharmaceutical products, and the rights for development and commercialisation of an oral insulin product. The intangible assets relating to the general pharmaceutical products are amortised on a straight-line basis over the estimated economic lives from seven to fourteen years commencing in the year when the rights are available for use. The intangible assets relating to the oral insulin product are not amortised as the rights are not yet available for use.

Gene invention rights

The cost of gene invention rights is amortised over the lives of the rights granted for the invention of a period up to a maximum of twenty years.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(k) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method unless if the effect of discounting would be immaterial, in which case they are stated at cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(ii) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

(n) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) Borrowing costs

All borrowing costs are recognised in the income statement in the period in which the they are incurred.

(p) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Taxation (Continued)

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, unused tax losses or unused tax credits 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 for 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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.

(q) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related parties (Continued)

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(r) Segment reporting

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

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment.

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

(s) Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except inventories and receivables 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 any impairment loss. Where 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 the asset belongs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Impairment of assets (Continued)

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 a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, 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.

(t) Provisions and contingent liabilities

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

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

(u) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENT IN APPLYING POLICIES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimation on impairment of intangible assets

The Group performs annual tests of impairment on intangible assets in respect of the oral insulin product with carrying amount of approximately HK$284,260,000 (2008: HK$284,260,000) which is not yet available for use. It also performs impairment review on the intangible assets in respect of the general pharmaceutical products with carrying amount of approximately HK$1,416,000 (2008: HK$1,522,000) whenever there are indications that these assets have suffered from impairment losses. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, per-tax discount rates, and other assumptions underlying the value-in-use calculations. Where the actual outcome in future is different from the original estimates, such difference will impact the carrying value of the intangible assets and the impairment on intangible assets in the year in which such estimate has been changed.

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(c) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technologically obsolete or non-strategic assets that have been abandoned or sold.

(d) Allowance for slow-moving and obsolete inventories

Allowance for slow-moving and obsolete inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

5. CRITICAL JUDGEMENT IN APPLYING POLICIES (Continued)

(d) Allowance for slow-moving and obsolete inventories (Continued)

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in market condition. The Group will reassess the estimates by each balance sheet date.

(e) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks such as foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and Renminbi. The Group's exposure to foreign currency risk is minimal except for United States dollars, as Hong Kong dollars and Renminbi are the functional currencies of the Company and its subsidiaries. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities but the management will monitor the foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 March 2009, if the Hong Kong dollars had strengthened/weakened 1 per cent against the United States dollars with all other variables held constant, consolidated profit for the year would have been approximately HK$507,000 higher/lower (2008: consolidated loss for the year would have been approximately HK$430,000 lower/higher), arising mainly as a result of the foreign exchange loss/gain on bank and cash balances, but partly offset by the foreign exchange gain/loss on bills payables.

(b) Credit risk

The carrying amount of the pledged bank deposits, bank and cash balances and trade and other receivables included in the balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

The credit risk on pledged bank deposits and bank and cash balance is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The exposure to these credit risks are monitored on an ongoing basis. The percentage of trade receivables due from the Group's largest trade debtor and due from the Group's five largest trade debtors in aggregate to the Group's total trade receivables are as follows:

	2009	2008
	%	%
Due from the Group's largest trade debtor	**5.6**	15.6
Due from the Group's five largest trade debtors	**16.4**	32.8

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year	**Between 1 and 2 years**	**Total**
	HK$'000	HK$'000	HK$'000
At 31 March 2009			
Trade and bills payables	10,401	—	10,401
Accruals and other payables	44,563	—	44,563
Amounts due to minority shareholders	32,847	—	32,847
At 31 March 2008			
Trade and bills payables	13,023	—	13,023
Accruals and other payables	44,513	—	44,513
Amounts due to minority shareholders	32,404	—	32,404

6. FINANCIAL RISK MANAGEMENT (Continued)

(d) Interest rate risk

The Group's exposure to the interest-rate risk arises from its bank deposits and borrowings. These bank deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

The Group currently does not have an interest rate hedging policy and will consider hedging significant interest rate exposure should the need arise.

At 31 March 2009, if interest rates at the date had been 100 basis points higher/lower with all other variables held constant, consolidated profit for the year would have been approximately HK$690,000 lower/higher (2008: consolidated loss for the year would have been approximately HK$825,000 higher/lower), arising mainly as a result of higher/lower interest income on bank deposits.

(e) Fair value

The carrying amount of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair value.

7. TURNOVER

	2009 **HK$'000**	2008 HK$'000
Manufacturing of pharmaceutical products	**46,444**	42,049
Trading of pharmaceutical products	**137,990**	123,030
	184,434	165,079

8. OTHER REVENUES

	2009 **HK$'000**	2008 HK$'000
Exchange gain	**641**	—
Gain on disposal of property, plant and equipment	**70**	—
Interest income	**1,424**	2,841
Rental income	**67**	—
Reversal of impairment on trade receivables *(note 24(b))*	**1,026**	5,761
Sundry income	**3,448**	509
	6,676	9,111

9. SEGMENT INFORMATION

Detailed segment information is presented by way of the Group's primary segment reporting basis, which is by business segment. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in the PRC, and over 90% of the Group's assets and capital expenditures are located in the PRC.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the manufacturing segment engages in the development, manufacture and sales of pharmaceutical products;

(b) the trading segment engages in the marketing and distribution of imported pharmaceutical products;

(c) the gene development segment engages in the commercial exploitation and development of genome-related technology; and

(d) the oral insulin segment engages in the development and commercialisation of oral insulin products.

9. SEGMENT INFORMATION (Continued)

Business segments

The following table provides an analysis of the Group's revenue, results and certain assets, liabilities and expenditures information by business nature.

	Manufacturing		Trading		Gene development		Oral insulin		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue										
Sales to external customers	**46,444**	42,049	**137,990**	123,030	**—**	—	**—**	—	**184,434**	165,079
Segment results	**3,107**	(5,600)	**10,782**	15,773	**(74)**	(186)	**(482)**	(1,621)	**13,333**	8,366
Interest income									**1,424**	2,841
Net unallocated expenses									**(6,766)**	(8,650)
Profit from operations									**7,991**	2,557
Finance costs									**(2)**	(164)
Profit before taxation									**7,989**	2,393
Taxation									**9,418**	(15,728)
Profit/(Loss) for the year									**17,407**	(13,335)
Segment assets	**149,027**	145,063	**133,275**	122,977	**5**	5	**295,815**	285,985	**578,122**	554,030
Unallocated assets									**67,928**	65,543
Total assets									**646,050**	619,573
Segment liabilities	**11,369**	13,243	**48,024**	54,906	**50**	106	**1,591**	1,185	**61,034**	69,440
Unallocated liabilities									**48,012**	37,256
Total liabilities									**109,046**	106,696
Other segment information:										
Capital expenditure	**2,508**	177	**110**	76	**—**	—	**—**	—	**2,618**	253
Unallocated capital expenditure									**704**	45
									3,322	298
Depreciation and amortisation	**5,331**	5,015	**572**	486	**—**	—	**—**	—	**5,903**	5,501
Unallocated depreciation and amortisation									**254**	224
									6,157	5,725
Other non-cash expenses, other than depreciation and amortisation:										
Impairment on intangible assets	**—**	1,600	**—**	—	**—**	—	**—**	—	**—**	1,600
Impairment on trade receivables	**1,505**	5,250	**1,283**	160	**—**	—	**—**	—	**2,788**	5,410
(Decrease)/increase in allowance for obsolete inventories	**(1,851)**	510	**—**	—	**—**	—	**—**	—	**(1,851)**	510
Write off of property, plant and equipment	**—**	273	**—**	67	**—**	—	**—**	—	**—**	340
(Gain)/loss on disposal of property, plant and equipment	**(213)**	—	**1**	—	**—**	—	**—**	—	**(212)**	—
Unallocated loss on disposal of property, plant and equipment									**142**	—
									(70)	340

10. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Bank loan interests	**2**	164

11. TAXATION

	2009 HK$'000	2008 HK$'000
Current tax — Hong Kong profits tax		
Provision for the year	**110**	120
(Over)/under-provision in prior years	**(19)**	83
Current tax — Tax other than Hong Kong profits tax		
Provision for the year	**4,947**	15,525
(Over)-provision in prior years	**(14,456)**	—
	(9,418)	15,728

Hong Kong profits tax has been provided at the rate of 16.5% (2008 : 17.5%) on the estimated assessable profits for the year ended 31 March 2009. Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The National People's Congress of the PRC promulgated the Enterprise Income Tax Law (the "EIT Law") in 2007 which is to take effect as of 1 January 2008. The PRC State Council released the Enterprise Income Tax Implementing Rules (the "Implementing Rules") which contained implementation details and grandfathering arrangements of the EIT Law in December 2007.

Under the EIT Law, the PRC corporate income tax has been standardized at the rate of 25%. However, certain subsidiaries of the Company have been granted preferential tax treatment prior to the introduction of the EIT Law. They continue to enjoy the preferential tax treatment and are now subject to the corporate income tax at the rate of 20% for 2009. The rate would gradually increase to 22% for 2010, 24% for 2011 and 25% for 2012 according to the grandfathering rules stipulated in the Implementation Rules and related circular.

In the year ended 31 March 2008, at the time when the Group prepared its financial statements for that year, the directors were advised that due to the implementation of the EIT Law, the Group might be subject to tax exposure in the PRC and that tax provision should be made to cover the exposure prudently. A tax provision in respect of the Group's profits arising from its operations in the PRC, amounting to HK$15,000,000 was made in the financial statements for the year ended 31 March 2008. On 16 June 2009, the Group obtained a tax opinion from a certified tax agent of the PRC who came to the opinion that the provisions of corporate income tax do not have retroactive application. On the basis of this tax opinion, the directors form the view that the said operations prior to 1 January 2008 would not be exposed to PRC tax under the EIT Law and that the basis used in determining the tax exposure in 2008 was inappropriate, and as such, of the tax provision made in the prior year, HK$14,200,000 would not be payable. As the tax liability of the Group at 1 April 2008 becomes excessive, the Group has written back the amount of HK$14,200,000 as a reversal of the excessive liability.

11. TAXATION (Continued)

A reconciliation of the tax expenses applicable to profit before taxation using the statutory rates for the regions in which the Company and its subsidiaries are domiciled, and the tax expenses at the effective tax rates, is as follows:

	2009 HK$'000	2008 HK$'000
Profit before taxation	7,989	2,393
Tax at the statutory tax rates applicable to the respective tax jurisdictions	2,636	2,050
Preferential statutory rate offered	—	58
Tax effect on expenses not deductible	1,851	13,797
Tax effect on income not taxable	(4)	(272)
Tax effect of temporary differences not recognised	5	5
(Over)/under-provision in prior years	(14,364)	83
Others	458	7
Taxation	(9,418)	15,728

12. PROFIT BEFORE TAXATION

The Group's profit before taxation has been arrived at after charging/(crediting):

	2009 HK$'000	2008 HK$'000
Amortisation of prepaid land lease payments	520	490
Amortisation of intangible assets (included in administrative expenses)	543	554
Auditors' remuneration		
— Current year	676	2,022
— (Over)-provision in prior years	(40)	—
	636	2,022
Cost of inventories sold	126,547	113,004
Depreciation of property, plant and equipment	5,094	4,681
(Decrease)/increase in allowance for obsolete inventories (included in cost of inventories sold)	(1,851)	510
Exchange loss	—	448
Impairment on trade receivables	2,788	5,410
Impairment on intangible assets	—	1,600
Operating lease charges in respect of land and buildings	2,149	2,178
Research and development costs	1,222	130
Staff cost (including directors' emoluments)		
— Salaries, bonus and allowances	36,666	28,522
— Retirement benefits scheme contributions	1,667	1,939
	38,333	30,461
Write off of property, plant and equipment	—	340

Note: Cost of inventories sold includes staff costs, depreciation and operating lease charges approximately HK$8,290,000 (2008: HK$6,544,000) which are included in the amounts disclosed separately above.

13. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

	Fee		Salaries, bonus and other benefits		Pension scheme contributions		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK'000	**HK$'000**	HK$'000
Name of directors								
Mao Yu Min	**20**	20	**975**	975	**—**	—	**995**	995
Ho Chin Hou *(note a)*	**20**	20	**975**	975	**—**	—	**995**	995
Ho Yu Ling *(note b)*	**20**	20	**450**	975	**6**	12	**476**	1,007
Li Qiang *(note c)*	**20**	20	**333**	681	**—**	—	**353**	701
Xie Yi	**20**	20	**559**	520	**—**	—	**579**	540
Wong Sau Kuen	**—**	—	**233**	—	**—**	—	**233**	—
Fang Lin Hu	**20**	20	**—**	—	**—**	—	**20**	20
Xue Jing Lun	**20**	20	**—**	—	**—**	—	**20**	20
Jin Song	**20**	20	**—**	—	**—**	—	**20**	20
	160	160	**3,525**	4,126	**6**	12	**3,691**	4,298

The five highest paid individuals in the Group during the year included three (2008: five) directors whose emoluments are reflected in the analysis presented above.

Notes:

(a) *Ho Chin Hou resigned on 12 March 2009.*

(b) *Ho Yu Ling retired on 30 September 2008.*

(c) *Li Qiang retired on 30 September 2008.*

Emoluments of the five highest paid individuals in the Group were within the following bands:

	2009	2008
Nil to HK$1,000,000	**5**	4
HK$1,000,001 to HK$1,500,000	**—**	1
	5	5

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emolument during the year.

14. RETIREMENT BENEFIT SCHEME

With effective from 1 December 2000, the Group has joined a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The retirement benefits cost of the MPF Scheme charged to the income statement represents contributions payable to the fund by the Group at rates specified in the rules of the scheme.

The employees of the Company's subsidiaries in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the salaries of its employees, to the retirement benefit scheme and have no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions.

15. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2009 (2008: HK$Nil).

16. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Loss attributable to shareholders dealt with in the income statement of the Company is HK$8,560,000 (2008 : HK$9,612,000).

17. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the profit attributable to the Company's equity holders of approximately HK$15,551,000 (2008: loss attributable to the Company's equity holders of approximately HK$11,735,000) and on the weighted average of 2,290,000,000 (2008: 2,290,000,000) shares in issue during the year.

As there were no potential dilutive ordinary shares in existence for each of the years ended 31 March 2009 and 2008 and accordingly, no diluted earnings/(loss) per share have been presented.

18. PROPERTY, PLANT AND EQUIPMENT

The Group:

	Buildings HK$'000	**Plant and machinery** HK$'000	**Furniture, fixtures and equipment** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
COST					
At 1 April 2007	57,908	25,974	6,693	4,147	94,722
Additions	—	34	253	—	287
Written off	(33)	(2,297)	(618)	—	(2,948)
Exchange alignments	3,038	1,603	253	228	5,122
At 31 March 2008	60,913	25,314	6,581	4,375	97,183
Additions	—	865	913	1,544	3,322
Disposal *(note)*	(5,246)	—	(367)	—	(5,613)
Exchange alignments	2,847	1,457	228	249	4,781
At 31 March 2009	58,514	27,636	7,355	6,168	99,673
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2007	16,712	15,379	4,429	2,818	39,338
Charge for the year	1,392	2,351	423	515	4,681
Written back on disposal	(30)	(2,067)	(511)	—	(2,608)
Exchange alignments	605	1,006	146	161	1,918
At 31 March 2008	18,679	16,669	4,487	3,494	43,329
Charge for the year	1,492	2,514	496	592	5,094
Written back on disposal	(3,754)	—	(209)	—	(3,963)
Exchange alignments	635	1,004	139	183	1,961
At 31 March 2009	17,052	20,187	4,913	4,269	46,421
CARRYING AMOUNT					
At 31 March 2009	41,462	7,449	2,442	1,899	53,252
At 31 March 2008	42,234	8,645	2,094	881	53,854

Note : On 21 July 2008, Changchun Extrawell Pharmaceutical Co., Ltd. ("CEP"), a subsidiary of the Company, entered into a sale and purchase agreement (the "S&P Agreement") regarding disposal of certain buildings located in 吉林省長春市朝陽區長沈路98號 (the "Buildings") to 吉林省東方制藥有限公司 (the "Purchaser"), an independent third party for a consideration of RMB1,500,000.

According to the S&P Agreement, the Purchaser is responsible for proceeding the transfer of legal title in the Buildings. CEP received in full the consideration of RMB1,500,000 on 9 January 2009 and has passed the effective control of the Buildings to the Purchaser. Whilst the transfer of the legal title in the Buildings has still not been completed, CEP has booked the disposal of the Buildings in its accounts and recognised a gain of RMB187,000 on the disposal.

19. PREPAID LAND LEASE PAYMENTS

The Group:

	2009	2008
	HK$'000	HK$'000
COST		
At beginning of year	**23,064**	22,104
Exchange alignments	**902**	960
At end of year	**23,966**	23,064
ACCUMULATED AMORTISATION AND IMPAIRMENT		
At beginning of year	**8,813**	8,127
Charge for the year	**520**	490
Exchange alignments	**205**	196
At end of year	**9,538**	8,813
CARRYING AMOUNT		
At 31 March	**14,428**	14,251

The Group's prepaid land lease payments are analysed as follows:

	2009	2008
	HK$'000	HK$'000
Land outside Hong Kong:		
Medium-term leases	**14,428**	14,251

20. INTANGIBLE ASSETS

The Group:

	Technological know-how HK$'000	Gene invention rights HK$'000	Total HK$'000
COST			
At 1 April 2007	293,337	95,000	388,337
Additions	11	—	11
Exchange alignments	587	—	587
At 31 March 2008	293,935	95,000	388,935
Exchange alignments	858	—	858
At 31 March 2009	294,793	95,000	389,793
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 April 2007	5,615	95,000	100,615
Charge for the year	554	—	554
Impairment for the year	1,600	—	1,600
Exchange alignments	384	—	384
At 31 March 2008	8,153	95,000	103,153
Charge for the year	543	—	543
Exchange alignments	421	—	421
At 31 March 2009	9,117	95,000	104,117
CARRYING AMOUNT			
At 31 March 2009	285,676	—	285,676
At 31 March 2008	285,782	—	285,782

20. INTANGIBLE ASSETS (Continued)

Note:

The carrying amount of technological know-how (the "Know-how") includes the technological know-how of approximately HK$284,260,000 (2008: HK$284,260,000) in relation to an oral insulin product (the "Product") and the exclusive right for the commercialisation of the Product. The Product was co-developed by Fosse Bio-Engineering Development Limited ("Fosse Bio"), a subsidiary acquired by the Group during the year ended 31 March 2005, and Tsinghua University, Beijing ("THU"). Fosse Bio and THU jointly applied for patent registration (the "Patent") in respect of the Know-how in the PRC and the United States of America (the "USA"). The Patent was granted by State Intellectual Property Office of the PRC and United Stated Patent and Trademark office of the USA on 4 August 2004 and 28 March 2006 respectively. An independent professional valuer was engaged by the Company to conduct a valuation of the Know-how. The independent professional valuer had prepared a report, providing a value as of 31 March 2009 that is no less than the carrying amount of the Know-how of HK$284,260,000. The clinical trials of the Product are still in progress up to the date of approval of these financial statements. Should the approval of results of the clinical trial fail, the certificate of new medicine cannot be obtained from the State Food and Drug Administration ("SFDA") of the PRC or the launching of the Product is unsuccessful, adjustments would have to be made against the carrying amount of the Know-how.

The remaining carrying amount of the technological know-how of approximately HK$1,416,000 (2008: HK$1,522,000) represents the technological know-how in relation to the manufacture and sales of pharmaceutical products held by Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd. ("JECP"), a subsidiary of the Company.

The directors of the Company have conducted an annual assessment on the recoverable amount of the technological know-how held by JECP and considered that no further provision for impairment is required (2008: Impairment provision of HK$1,600,000 was made) for the year.

21. INTERESTS IN SUBSIDIARIES

The Company:

	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**52,990**	52,990
Add : Amounts due from subsidiaries	**120,283**	118,470
	173,273	171,460
Less : Amounts due to subsidiaries	**(15,078)**	(8,187)
Impairment loss	**(16,246)**	(13,455)
	141,949	149,818

21. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31 March 2009 are as follows:

Name	Place of incorporation/ registration and operations	Issued and paid up capital/registered capital	Percentage of ownership/interest		Principal activities
			Direct	Indirect	
Extrawell BVI	British Virgin Islands ("BVI")	10,000 ordinary shares of US$1 each	100%	—	Investment holding
JECP *(note a)*	The PRC	RMB33,000,000	60%	40%	Development, manufacture, and sales of pharmaceutical products
Extrawell Pharmaceutical (HK) Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Provision of agency services
South Asia Pharmaceutical (China) Limited	BVI	50,000 ordinary shares of US$1 each	—	100%	Marketing and distribution of pharmaceutical products
Smart Phoenix Holdings Limited	BVI	100 ordinary shares of US$1 each	—	100%	Investment holding
CEP *(note b)*	The PRC	RMB50,000,000	—	68%	Development, manufacture and sales of pharmaceutical products
Best-Bio Developments Limited ("Best-Bio")	BVI	1 ordinary share of US$1 each	—	100%	Investment holding
Right & Rise Limited ("R&R")	BVI	50,000 ordinary shares of US$1 each	—	100%	Holding of gene invention rights and investment holding
Grand Success Management Limited ("Grand Success")	BVI	50,000 ordinary shares of US$1 each	—	75%	Holding of gene invention rights
Smart Ascent *(note c)*	Hong Kong	10,000 ordinary shares of HK$1 each	—	51%	Investment holding
Fosse Bio *(notes c and d)*	Hong Kong	100,000 ordinary shares of HK$1 each	—	26%	Development and commercialisation of oral insulin products
Welly Surplus *(note d)*	Hong Kong	100 ordinary shares of HK$1 each	—	26%	Inactive

21. INTERESTS IN SUBSIDIARIES (Continued)

Notes:

(a) *JECP is a wholly foreign-owned enterprise established in the PRC with an operating period of 15 years commencing from 22 April 1999.*

(b) *CEP is a joint stock limited company. It was initially established in the PRC for an operating period of 15 years commencing from 8 August 1992. After transforming into a joint stock limited company, the operating period became indefinite.*

(c) *The interest in Fosse Bio was originally acquired in November 2003 by Smart Ascent, an indirect subsidiary in which the Group holds 51% interest. Two installments of the consideration for acquiring the 51% interest in Fosse Bio, amounting to HK$31,780,000 remain unpaid by Smart Ascent. These two installments are to be repaid as to HK$12,000,000 within 14 days from the issuance of the certificate of phase III clinical trial of the Product by the SFDA, and as to HK$19,780,000 within 14 days from the issuance of the certificate of new medicine for the Product by the SFDA.*

At the time when the Group acquired the 51% interest in Smart Ascent, the vendors of the shares of Smart Ascent (the "Smart Ascent Vendors") undertook to repay the outstanding consideration of HK$31,780,000 as referred to in the above paragraph. The Smart Ascent Vendors had pledged the shares representing 49% interest in Smart Ascent. Further discussion of the amounts due from the Smart Ascent Vendors is set out in Note 25.

At the time when the Group acquired the 51% interest in Smart Ascent, the Group, without knowing the relationship, failed to disclose that the Smart Ascent Vendors are the respective son-in-law and daughter-in-law of Mr. Ho Chin Hou, a former executive director of the Company who had resigned as director with effect from 12 March 2009, and that the acquisition of the 51% interest in Smart Ascent (the "2004 Transaction") constituted a connected transaction under the Listing Rules. Pursuant to a special general meeting of the Company held on 8 June 2009, an ordinary resolution was passed to ratify and approve this acquisition.

On 27 July 2007, the Group entered into a sale and purchase agreement with one of the Smart Ascent Vendors to acquire the remaining 49% interest in Smart Ascent, at the consideration of HK$768,900,000 which would be satisfied by allotting 300,000,000 ordinary shares of the Company with the nominal value of HK$0.01 at the issuing price of HK$2.563 each. This transaction was approved in a special general meeting of the Company held on 20 September 2007. Notwithstanding that the relationship as stated in the above paragraph was disclosed, prior to the said special general meeting, in an announcement dated 17 September 2007, the Stock Exchange requested the Company to convene another special general meeting after the ratification of the 2004 Transaction to re-approve this acquisition. This special general meeting requested by the Stock Exchange has not been held at the date of issuance of these financial statements.

Pursuant to an announcement dated 23 July 2009, the Company submitted a report as prepared by the Independent Board to the Stock Exchange for the purpose of the Company's application of lifting the suspension of trading of the Company's shares on the Stock Exchange. The report has identified, amongst other matters, that the Group also failed to disclose the advances made by Extrawell BVI, a wholly owned subsidiary of the Company to Smart Ascent during the three years ended 31 March 2007 which constituted connected transactions subject to disclosure requirements under the Listing Rules, as a result of the matter disclosed in the above paragraph. Details of such advances are disclosed in note 36.

(d) *Both Fosse Bio and Welly Surplus are owned as to 51% by Smart Ascent and Smart Ascent is owned as to 51% by Extrawell BVI. Therefore, the effective equity interest of Fosse Bio and Welly Surplus held by the Group are both 26%.*

The above table listed the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group.

22. AMOUNTS DUE FROM MINORITY SHAREHOLDERS

Name	2009 HK$'000	2008 HK$'000
Non-current portion:		
Fordnew Industrial Limited *(Note b, c)*	5,358	—
Zheng Chang Xue *(Note b, c)*	1,539	—
Hon Shi Chang *(Note b, c)*	272	—
Groupmark Investment Group Limited *(Note b, c)*	1,432	—
Feel So Good Limited *(Note b, c)*	453	—
	9,054	—
Current portion:		
Zhong Hou Seng	—	5
Hou Shi Chang *(Note a, b)*	3	3
	3	8

Notes:

(a) Hou Shi Chang is a shareholder of Fosse Bio.

(b) The amounts due are unsecured, interest-free and have no fixed terms of repayment.

(c) The amounts due represent contributions made by the minority shareholders to Fosse Bio. The contributions are related to the working capital and operation fund for the further clinical trial of the Oral Insulin Project of Fosse Bio.

23. INVENTORIES

The Group:

	2009 HK$'000	2008 HK$'000
Raw materials	2,103	1,820
Work in progress	1,103	710
Finished goods	25,085	16,109
	28,291	18,639

24. TRADE RECEIVABLES

The Group:

The ageing analysis of trade receivables, based on the delivery dates of goods, is as follows:

	2009 **HK$'000**	2008 HK$'000
Within 90 days	**54,218**	62,938
Between 91 to 180 days	**20,690**	21,904
Between 181 to 365 days	**14,559**	12,387
Between 1 to 2 years	**181**	179
Over 2 years	**27**	540
	89,675	97,948

Notes:

(a) *The Group's trading terms with its customers are mainly based on credit, except for new customers, where payment in advance is normally required. The credit period is generally 120 days, extending up to one year for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.*

(b) *The movements for impairment on trade receivables are as follows:*

	2009 ***HK$'000***	*2008* *HK$'000*
At beginning of year	***17,431***	*16,697*
Exchange alignments	***990***	*1,085*
Impairment on trade receivables	***2,788***	*5,410*
Reversal of impairment on trade receivables (note 8)	***(1,026)***	*(5,761)*
At end of year	***20,183***	*17,431*

24. TRADE RECEIVABLES (Continued)

Notes (Continued):

(c) As of 31 March 2009, trade receivables of approximately HK$6,055,000 (2008: HK$5,570,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis, based on number of overdue days of these trade receivables, is as follows:

	2009 HK$'000	2008 HK$'000
Within 90 days	4,521	4,747
Between 91 to 180 days	403	50
Between 181 to 365 days	1,131	233
Over 1 year	—	540
	6,055	5,570

(d) All the trade receivables are denominated in Renminbi.

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group:

	2009 HK$'000	2008 HK$'000
Deposits	848	1,778
Prepayments	1,646	604
Other receivables	30,181	24,535
Other receivable due from connected persons *(note)*	31,780	31,780
	64,455	58,697

The Company:

	2009 HK$'000	2008 HK$'000
Prepayments	240	221

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Note:

The amount of HK$31,780,000 included in the Group's other receivables is due from the Smart Ascent Vendors as referred to in Note 21(c) who had, in connection with the acquisition by the Group of 51% interest in Smart Ascent, undertaken to repay this amount to the vendors for the interest of 51% in Fosse Bio, being the third and fourth installments of the consideration for this interest in Fosse Bio.

Risk in respect of the other receivables due from connected persons

As mentioned in note 21(c), the other receivables due from connected persons are secured against the shares representing 49% interest in Smart Ascent held in name of Mr. Ong Cheng Heang. The risk associated with this other receivables is assessed to be the ability of Smart Ascent Vendors to repay the amount in full or the ultimate success of the oral insulin product. (please refer to Note 20 for details).

Other receivables are denominated in the following currencies:

	2009 **HK$'000**	2008 HK$'000
The Group:		
Renminbi	**19,631**	22,703
Hong Kong dollars	**42,330**	33,612
	61,961	56,315

26. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

Pledged bank deposits and bank and cash balances are denominated in the following currencies:

The Group:

	2009	2008
	HK$'000	HK$'000
Pledged bank deposits		
United States dollars	**17,057**	10,374
Hong Kong dollars	**3,441**	7,786
	20,498	18,160
Bank and cash balances		
Renminbi	**39,440**	24,196
United States dollars	**40,463**	46,969
Hong Kong dollars	**815**	1,069
	80,718	72,234

The Company:

	2009	2008
	HK$'000	HK$'000
Bank balances		
Hong Kong dollars	**17**	20

26. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES (Continued)

The Group's pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. The pledged bank deposits are arranged at floating interest rate ranging from 0.59% to 3.8% (2008: 1.03% to 2.50%) per annum and therefore are subject to cash flow interest rate risk.

The bank and cash balances are carried at floating interest rate of 0.01% to 0.25% (2008: 0.01% to 1.00%) per annum, and thus exposing the Group to cash flow interest rate risk.

Conversion of Renminbi into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Included in the bank and cash balances was a bank balance of approximately HK$13,483,000 (2008: HK$7,634,000) being held under the name of another company. The Group can control the usage of the bank balance and hence the balance was treated as the bank balance of the Group.

27. TRADE AND BILLS PAYABLES

At 31 March 2009, the ageing analysis of the trade and bills payables, based on the dates of receipt of goods, is as follows:

The Group:

	2009 **HK$'000**	2008 HK$'000
Within 90 days	**6,551**	6,788
Between 91 to 180 days	**3,174**	6,228
Between 181 to 365 days	**413**	—
Between 1 to 2 years	**263**	2
Over 2 years	**—**	5
	10,401	13,023

Trade and bills payables are denominated in the following foreign currencies:

	2009 **HK$'000**	2008 HK$'000
Renminbi	**1,683**	1,803
United States dollars	**4,105**	11,220
Euro	**4,613**	—
	10,401	13,023

28. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

29. BANKING FACILITIES

At the balance sheet date, the banking facilities of certain subsidiaries and the Company were secured by the followings:

(i) Fixed deposits placed with a bank for not less than HK$18,000,000 or its equivalent in United States dollars in name of Extrawell Pharmaceutical (HK) Limited to be charged to the bank and registered.

(ii) A continuing Corporate Guarantee from Extrawell Pharmaceutical Holdings Limited in a bank favour for HK$6,000,000.

30. DIVIDEND PAYABLE TO MINORITY SHAREHOLDERS

On 3 March 2009, one of the subsidiaries of the Group, CEP declared an interim dividend of HK$9,205,000 (equivalent to RMB8,100,000). At the balance sheet date, the interim dividend declared in amount of HK$1,298,000 (equivalent to RMB1,142,000) to the minority shareholders were in accrual.

31. DEFERRED TAX LIABILITIES

The deferred tax liabilities at 31 March 2009 arose from accelerated tax depreciation.

At the balance sheet date, the Group has unused tax losses arising in Hong Kong and the PRC of approximately HK$3,580,000 (2008: HK$3,001,000) and HK$3,346,000 (2008: HK$3,626,000) respectively available for offset against future taxable profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Tax losses arising in Hong Kong may be carried forward indefinitely. The tax loss arising in the PRC will be expired as follows:

	2009 **HK$'000**	2008 HK$'000
Year		
2009	**—**	280
2010	**954**	954
2011	**905**	905
2012	**1,083**	1,083
2013	**404**	404
	3,346	3,626

32. SHARE CAPITAL

The Group and the Company:

	Number of shares		Share capital	
	2009	2008	**2009**	2008
	'000	'000	**HK$'000**	HK$'000
Ordinary share of HK$0.01 each				
Authorised	**20,000,000**	20,000,000	**200,000**	200,000
Issued and fully paid	**2,290,000**	2,290,000	**22,900**	22,900

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, if any, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes had been made in the objectives, policies and processes during the years ended 31 March 2009 and 2008.

The Group monitors capital using a gearing ratio, which is the Group's total debts (comprising bank borrowings and amounts due to minority shareholders) over its total assets. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 March 2009 was 0.05 (2008: 0.05).

The only externally imposed capital requirement is that for the Company to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The directors regard that the requirement of public float is satisfied during the year.

33. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors (including independent non-executive directors), other employees of the Group, suppliers of goods or services to the Group, customers of the Group, and any minority shareholder in the Company's subsidiaries. The Scheme became effective on 15 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the date of approval of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted in writing within 21 days from the date of the offer, upon payment of nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted shall be determined by the directors at their absolute discretion, but in any event shall not be more than 10 years from the date of the offer of the share options. The directors of the Company may at their absolute discretion impose any vesting period at the date of grant.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares on the date of grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

From the effective date of share option scheme to the balance sheet date, no share options have been granted, exercised, cancelled or lapsed under the Scheme.

34. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on page 32 of the financial statements.

(b) Nature and purpose of reserve

(i) Share premium

Under the Companies Act 1981 of Bermuda, the funds in the share premium account are distributable in form of fully paid bonus shares.

(ii) Capital reserve

In accordance with the relevant regulations in the PRC, all of the Company's subsidiaries registered in the PRC are required to transfer part of their profit after tax to the capital reserve. Subject to certain restrictions set out in the relevant PRC regulations and the articles of association of these PRC subsidiaries, the capital reserve may be used to offset losses or for capitalisation as paid-up capital.

(iii) Contributed surplus

The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation in 1999 (the "Group Reorganisation"), over the nominal value of the share capital of the Company issued in exchange thereof.

(iv) Foreign currency transaction reserve

The foreign currency translation reserve comprises all foreign exchange difference arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with accounting policies set out in note 4(c)(ii) to the financial statements.

34. RESERVES (Continued)

(c) The Company:

	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
For the year ended 31 March 2008					
At 1 April 2007	133,717	64,636	—	2,767	201,120
Exchange differences	—	—	1,985	—	1,985
Loss for the year *(note 16)*	—	—	—	(9,612)	(9,612)
At 31 March 2008	133,717	64,636	1,985	(6,845)	193,493
For the year ended 31 March 2009					
At 1 April 2008	**133,717**	**64,636**	**1,985**	**(6,845)**	**193,493**
Exchange differences	**—**	**—**	**1,877**	**—**	**1,877**
Loss for the year *(note 16)*	**—**	**—**	**—**	**(8,560)**	**(8,560)**
At 31 March 2009	**133,717**	**64,636**	**3,862**	**(15,405)**	**186,810**

35. COMMITMENTS

(a) Operating lease commitments

At the balance sheet date, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	2009 HK$'000	2008 HK$'000
Within one year	1,710	1,491
In the second to fifth years, inclusive	1,567	3,277
	3,277	4,768

Operating lease payments represent rental payable by the Group for certain of its offices. Leases are negotiated for terms ranging from one to three years and rentals are fixed over the lease terms and do not include contingent rentals.

(b) Other commitments

(i) Further to note 21(c) to the financial statements, at 31 March 2009, the Group had a commitment to advance an interest-free loan to Fosse Bio Vendor and/or other shareholders of Fosse Bio for expenses relating to clinical trials of the Product.

(ii) On 19 October 2006, Sea Ascent Investment Limited ("Sea Ascent"), Welly Surplus, an indirect non-wholly owned subsidiary of the Company, and Fosse Bio, an indirect non-wholly owned subsidiary of the Company, entered into a cooperation agreement (the "Cooperation Agreement") in connection with the cooperation (the "Cooperation") between Sea Ascent and Welly Surplus in respect of the followings:

(1) Sea Ascent shall procure its wholly owned subsidiary, Joy Kingdom Industrial Limited ("Joy Kingdom"), to establish a wholly foreign owned enterprise in the PRC under the name of 江蘇派樂施藥業有限公司 (Jiangsu Prevalence Pharmaceutical Limited) ("Jiangsu Prevalence");

(2) Sea Ascent shall advance a sum equivalent to RMB40 million to Joy Kingdom by way of an unsecured, non-interest bearing shareholder's loan ("Shareholder's Loan") for the payment of the registered capital of Jiangsu Prevalence and the acquisition of land and construction of a factory (the "Plant") at Pi Zhou City, Jiangsu, the PRC for the production of the Group's Oral Insulin Enteric-Coated Soft Capsules (the "Medicine"); and

(3) Subject to Sea Ascent's performance of its obligations as aforesaid and completion of the acquisition of Joy Kingdom by Welly Surplus, Welly Surplus shall procure Joy Kingdom or Jiangsu Prevalence, if so agreed, to pay to Sea Ascent, during a period of six years from the date on which the Medicine is launched for sales in open market (the "Initial Operating Period"), a fee at RMB6 cents for each capsule of the Medicine produced (subject to a maximum fee of RMB180 million for each year and deduction as specified in the Cooperation Agreement); and

(4) Unless the New Medicine Certificate in respect of the Medicine has not been granted by the relevant PRC authorities, Welly Surplus shall procure Fosse Bio to allow the manufacturing of the Medicine by Jiangsu Prevalence and to assist Jiangsu Prevalence to obtain the relevant Pharmaceutical Manufacturing Permit (藥品生產許可證) for the manufacture of the Medicine during the Initial Operating Period.

35. COMMITMENTS (Continued)

(b) Other commitments (Continued)

(ii) Under the Cooperation Agreement, Fosse Bio has agreed to guarantee the due performance by Welly Surplus of its obligations and liabilities ("Secured Liabilities") as mentioned in the above paragraphs, provided that the maximum liability of Fosse Bio under such guarantee shall not exceed 51% of the Securities Liabilities. The Cooperation Agreement became effective upon the shareholders' approval in the special general meeting of the Company held on 3 January 2007, until the expiry of the Initial Operating Period.

On 19 October 2006, Sea Ascent and Welly Surplus also entered into a sale and purchase agreement (the "SP Agreement") pursuant to which Sea Ascent agreed to sell and Welly Surplus agreed to acquire (i) the entire share capital (the "Sale Share") in Joy Kingdom and (ii) the Shareholder's Loan at considerations of RMB40 million and HK$1 respectively (the "Consideration"). The completion of the SP Agreement was subject to, among other conditions, approval of the SP Agreement by the Company's shareholders, the Cooperation Agreement becoming effective and the completion of the construction of the Plant by Jiangsu Prevalence in accordance with the terms of the Cooperation Agreement. The SP Agreement was approved in the special general meeting of the Company held on 3 January 2007. On 8 April 2009, Welly Surplus and Sea Ascent signed a confirmation, whereby both parties agreed to extend the long stop date of the SP Agreement from 30 November 2007 to 30 June 2010. The SP Agreement has not yet become unconditional and the Consideration has not yet been due and paid up to the date of approval of these financial statements.

36. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties.

Compensation for key management personnel, including amount paid to the Company's directors, as disclosed in note 13 to the financial statements, is as follows. Directors' service contracts are exempted from all reporting requirements of connected transaction under the Listing Rules.

	2009 **HK$'000**	2008 HK$'000
Salaries and other benefits	**3,685**	4,286
Pension scheme contributions	**6**	12
	3,691	4,298

36. RELATED PARTY TRANSACTIONS (Continued)

During the three years ended 31 March 2005, 2006 and 2007, Extrawell BVI, a wholly owned subsidiary of the Company, had advanced to Smart Ascent approximately HK$1,230,000, HK$1,586,000 and HK$1,142,000 respectively. The advances were made on normal commercial terms to meet the operational and administrative expenses of Smart Ascent and its subsidiaries; namely Fosse Bio and Welly Surplus. The advances are unsecured, non-interest bearing and repayable upon demand. As the minority shareholder of Smart Ascent is a connected person to the Company, and as such these advances constituted connected transactions subject to disclosure requirements under the Listing Rules. Further details in relation to the transactions with Smart Ascent are set out in note 21(c).

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 July 2009.

FIVE YEARS' FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years (as restated according to certain Hong Kong Financial Reporting Standards which are adopted for the first time during the years ended 31 March 2006 and 2007), is set out below:

	For the year ended 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**184,434**	165,079	158,763	178,265	169,766
Profit/(loss) before taxation	**7,989**	2,393	9,303	6,697	(87,835)
Taxation	**9,418**	(15,728)	(369)	(2,510)	1,793
Profit/(loss) for the year	**17,407**	(13,335)	8,934	4,187	(86,042)
Attributable to:					
— Equity holders of the Company	**15,551**	(11,735)	9,336	4,669	(75,823)
— Minority interests	**1,856**	(1,600)	(402)	(482)	(10,219)
	17,407	(13,335)	8,934	4,187	(86,042)
Dividends	**—**	—	—	—	—

	As at 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	**646,050**	619,573	609,988	571,327	591,290
Total liabilities	**(109,046)**	(106,696)	(93,504)	(70,559)	(97,812)
Total equity	**537,004**	512,877	516,484	500,768	493,478
Minority interests	**(214,832)**	(215,957)	(217,565)	(220,107)	(220,609)
	322,172	296,920	298,919	280,661	272,869