Extrawell Pharmaceutical Holdings Limited

ANNUAL REPORT 2010

(Incorporated in Bermuda with limited liability)

stock code: 858

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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

HSBC Bank 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
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

Dr. Mao Yu Min
Chairman

On behalf of the board of directors (the "Board") 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 2010.

While 2009 was a highly challenging year for global economy, the Mainland market has benefited from the support of the central government's policies and initiatives. The Group achieved steady growth both in its turnover and operating profit for the year. Improved profitability had been seen from the operational efficiency to cope with the challenging operating environment as brought by the healthcare reform with fierce price competition for market share. Consequently, it was a year of foundation for the Group's future growth as we had proven to be well-positioned to withstand the challenges and to capitalize upon the emerging market opportunities.

CHAIRMAN'S STATEMENT (CONTINUED)

With ongoing efforts in progressing the clinical trial of our oral insulin product, resources have been aligned with added value of external expertise. In light of a high-growth diabetic population in the Mainland, the Group would endeavour to optimize allocation of internal resources in bringing up an encouraging progress, and anticipates that it will provide a new impetus for our profit growth in future.

Looking ahead, though the global economy is expected to remain critical, we believe that with the continuous increase in central government's contributions to healthcare reform, the pharmaceutical industry in the Mainland will still be driving on a growth path. Continued efforts will be made to streamline our existing operations, to enhance its efficiency and to increase market share as well as profitability. We are optimistic to achieve better results in future. Further, in maintaining a healthy financial position, we will also prudently explore investment and development opportunities to enhance long-term profitability and thus maximize the value for our shareholders.

On behalf of the Board, I would like to express its appreciation to the continuous support of our shareholders and business partners, and to all levels of staff for their dedicated efforts over the past year.

Dr. Mao Yu Min
Chairman

Hong Kong, 16 July 2010

MANAGEMENT DISCUSSION AND ANALYSIS

A. BUSINESS REVIEW

Overall Performance

Year 2009 is the cornerstone of the China's healthcare reform following the central government's announcement in January 2009 by investing RMB850 billion for the reform in three years. Aiming at achieving a long-term goal of providing universal healthcare services to the country's population, a series of medical related policies has been launched which has further spurred the growth of the pharmaceutical industry in China.

The deepening of the China's healthcare reform has enlarged the market demands, and at the same time increased the competition intensity. For the year ended 31 March 2010, the Group recorded a turnover of about HK$196.3 million, representing an increase of 6.4% as compared with that of last financial year. Although the Group's overall gross profit margins decreased by about 4% to 27.4% to cope with the changing market conditions and challenges, its selling and distribution expenses concurrently reduced as a result of the Group's reshuffling its marketing strategies coupled with better budget control. Further, there was a moderate decrease in administrative expenses by about HK$2.2 million to HK$28.4 million, which was primarily due to decrease in legal and professional fees.

During the year under review, profit before taxation increased from about HK$8.0 million to about HK$12.8 million, representing an increase of about HK$4.8 million or 60.0%. However, the Group's profit for the year attributable to equity holders slightly reduced to about HK$14.6 million from about HK$15.6 million in 2009, representing a decrease of about HK$0.9 million or 6.0% as a result of decrease in write-back of over provision in income tax liabilities.

Turnover and Operating Results

Imported Pharmaceutical Sector

Turnover for the imported pharmaceutical sector increased by about 9.1% from about HK$138.0 million last year to about HK$150.6 million this year.

During the year, in response to the gradually increased intensity in market competition brought about by the healthcare reform, there was subsequent decline in overall gross margins accompanied by more strategic marketing and promotion activities to secure market share as well as strengthening growth momentum for the coming year. However, segment revenue was supported to increase by about HK$12.6 million as a result of double-digit growth in sales of quality product Skin-Cap (indicated for psoriasis, seborrheic dermatitis and relief of itching associated with dermatosis) whilst GM-1, a specialized prescription drug for re-establishment of functional recovery of central nervous system and Parkinson's disease maintained its significant sales contribution. Segment operating profit for the year finally increased by approximately HK$4.0 million or 36.7% from about HK$10.8 million to about HK$14.7 million.

Given every indication that the market would be growing robustly and that competition would be exacerbated, management would drive for continued growth by leveraging on its well-built distribution network and strong customer relationship.

A. BUSINESS REVIEW (Continued)

Turnover and Operating Results (Continued)

Manufactured Pharmaceutical Sector

Sales of manufactured pharmaceutical products declined slightly by approximately 1.6% from about HK$46.4 million to about HK$45.7 million resulting from price adjustments in line with more severe price-based competition despite there was double-digit growth in sales volume of our core product Transfer Factor oral solution, an immune regulator.

In gaining a continual market share, management had made stringent measures in monitoring the selling and distribution expenses whilst at the same time reducing the overheads, and coupled with the increase in other revenues derived from provision of consultancy services to other factories, segment operating profit for the year under review improved by about HK$1.1 million to about HK$4.2 million.

In addition to on-going cost control measures, management has been streamlining its business operations to improve its operating margins, and has on one hand undertaken steps to widen its distribution channels and on the other developed new products with the aim of improving operating results.

We will continue to leverage on the competitive advantage of our product quality, established brand name and steady business model, and to strive for better performance in future.

Oral Insulin Sector

Further clinical trial is still in progress. There was no revenue generated in the sector during the year. Increase in loss was mainly attributable to deployment of administrative and human resources associated with the clinical trial.

Gene Development Sector

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

Selling and Distribution Expenses

Selling and distribution expenses of the Group decreased from about HK$23.2 million in 2009 to about HK$20.6 million in 2010, representing a decrease of about 11.0%. The decrease was mainly attributed to the on-going cost control measures to rationalize spending and more effective utilization of marketing resources.

Administrative Expenses

Administrative expenses of the Group decreased by approximately 7.1% from about HK$30.6 million to about HK$28.4 million which was largely due to reduction in legal and professional expenses.

Other Revenues and Impairment on Trade Receivables

Other revenues mainly comprised reversal of impairment on trade receivables, sundry income and interest income. Other revenues increased by about HK$6.8 million from about HK$6.7 million to about HK$13.5 million this year. This was the result of increase in reversal of impairment on trade receivables of about HK$5.4 million, increase in sundry income of about HK$2.9 million in respect of consultancy services rendered to other factories as well as decrease in interest income and exchange gain by about HK$0.8 million and HK$0.6 million respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

A. BUSINESS REVIEW (Continued)

Taxation

In 2009, the Group had engaged two seasoned PRC tax professionals to evaluate the Group's exposure in relation to the new PRC income tax law, and based on their reports, there was a significant write-back of over provision made in the year 2008.

During the year, the Group has undertaken further steps to rationalize its operating structure in order to mitigate its tax exposure pursuant to the reports by the PRC tax professionals, and as such the tax provision of HK$4,000,000 made during the hiatus period was no longer required and was therefore written back.

B. OUTLOOK AND PRODUCT DEVELOPMENT

Progress of development of Oral Insulin

With a view to facilitating a smooth progress of the clinical trial and having sought consultation and advice from experts and officials of the State Food and Drug Administration ("SFDA") during the year, the Group had worked out its best implementation plan for the clinical trial with the engagement of a professional institute in the PRC rendering services in clinical trial management and related clinical studies. The Group submitted its best implementation plan which was acknowledged by the SFDA in March 2010. The Group believes that the cautiously prepared implementation plan shall critically sustain a solid foundation for its success and has been organizing further preparatory work in progressing the clinical trial.

Despite there is certain delay in the project due to the forefront but essentially reinforcing work, the Group is now able to progress at high speed with the solid advancement and engagement of the clinical trial expertise. The Group will continue cautiously managing the progress and would be committing more resources in expediting the process as necessary and appropriate.

Further still, the Group remains positive and optimistic towards its success and future development.

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 2010, the Group had total cash and bank balances (including pledged bank deposits) of about HK$125.6 million (2009: HK$101.2 million), representing an increase by approximately 24.1%.

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 (2009: HK$20.5 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.

C. FINANCIAL REVIEW (Continued)

Liquidity and Financial Resources (Continued)

The Group's total borrowing over total assets ratio as at 31 March 2010 was 0.05 (2009: 0.05) calculated based on the Group's total debts of about HK$32.6 million (2009: HK$32.8 million), comprising amount due to a minority shareholder of about HK$32.4 million (2009: HK$32.4 million).

Currency Structure

The Group's business transactions, assets and liabilities are principally denominated 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. Despite the aforesaid, the Group monitors constantly of its exposure to foreign currency movement.

D. EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2010, the Group had 416 employees (2009: 460). Staff cost (including directors' emoluments) for the year ended 31 March 2010 amounted to approximately HK$38.4 million (2009: approximately HK$38.3 million). The slight increase was mainly due to salary adjustment. 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. Mao Yu Min Ph.D. (aged 58)

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 47)

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 Ph.D. (aged 51)

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 47)

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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE (CONTINUED)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Independent Non-Executive Directors

Mr. Fang Lin Hu (aged 72)

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 76)

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 39)

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 49)

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 54)

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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE (CONTINUED)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Senior Management (Continued)

Dr. Liu Xian (aged 53)

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 18 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 40)

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 43)

Product Development Manager

Dr. Lin Guang Xiang joined the Group in 1995. He graduated from Zhongshan 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 55)

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 48)

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 38)

Senior Finance Manager

Ms. Wu Hong, a qualified accountant in the PRC, joined the Group in 1995 and is responsible for all the Group's financial matters in the PRC. 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 2010, 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 considered 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.

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 standards 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

Save as disclosed, there is no other relationship (including financial, business, family or other material/revelant 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 was 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.

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.

C. BOARD OF DIRECTORS (Continued)

During the year ended 31 March 2010, 11 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	8/11
Dr. Xie Yi	11/11
Dr. Lou Yi	7/11
Ms. Wong Sau Kuen	11/11
Mr. Fang Lin Hu	7/11
Mr. Xue Jing Lun	7/11
Ms. Jin Song	5/11

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 judgment 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 2010, 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 2010, two 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	2/2
Mr. Xue Jing Lun	2/2
Ms. Jin Song	1/2
Dr. Xie Yi	2/2

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 2010 is as follows:

	HK$'000
Audit services	650
Non-audit services	35

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 auditors, 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 2010, four 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	4/4
Mr. Xue Jing Lun	4/4
Ms. Jin Song	4/4

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 auditors for the annual 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 28 to 30 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.

In addition to the reviews of internal control systems of the Group for the purpose of fulfillment of conditions for resumption of trading as detailed in the Company's announcement dated 23 December 2009, the Company further engaged the independent professional consultancy firm, Baker Tilly Hong Kong Business Services Limited ("Baker Tilly") to conduct an annual review of the effectiveness of the Group's system of internal control with the scopes covering the key system control procedures relating to areas including the financial reporting cycle and corporate governance practices as recommended by the Audit Committee for the year ended 31 March 2010. Based on the assessments made by Baker Tilly, the Company has set up sound and adequate internal controls with room for further improvement.

The Audit Committee and the Board have reviewed the report submitted by Baker Tilly, and concluded that the key areas of the Group's internal control systems are reasonably and adequately implemented to their satisfaction.

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of Extrawell Pharmaceutical Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2010.

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 development and commercialisation of oral insulin products.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2010 are set out in the consolidated statement of comprehensive income on page 31.

The state of affairs of the Group as at 31 March 2010 is set out in the consolidated statement of financial position on page 32.

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 86.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 17 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 36 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2010, the reserves of the Company available for cash distribution and/or distribution in specie amounted to HK$45,954,000 as computed in accordance with the Bermuda Companies Act 1981. In addition, the Company's share premium account with a balance of HK$133,717,000 as at 31 March 2010 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2010, turnover attributable to the Group's five largest customers accounted for less than 25% of the Group's turnover, and turnover attributable to the Group's largest customer accounted for less than 10% of the Group's turnover.

For the year ended 31 March 2010, 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 54% 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
Wong Sau Kuen

Independent non-executive directors:

Fang Lin Hu
Xue Jing Lun
Jin Song

In accordance with the Company's bye-law 111, save as for 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 POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2010, the interests and short positions 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 positions in the ordinary shares of the Company

		Number of ordinary shares of HK$0.01 each held, capacity and nature of interest	
Name of directors		**Through controlled corporations**	**Percentage of the Company's issued share capital**
Mao Yu Min	*Note*	480,000,000	20.96%
Xie Yi	*Note*	480,000,000	20.96%

Note:

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.

REPORT OF THE DIRECTORS (CONTINUED)

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

2. Long positions 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

Note: Extrawell Holdings Limited ("EHL") owns 100,000 non-voting deferred shares of HK$10 each in Extrawell Enterprises Limited. Mr. Ho Chin Hou is one of the beneficial shareholders of EHL.

Save as disclosed above, as at 31 March 2010, 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 corporate.

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

At 31 March 2010, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Save as disclosed above, as at 31 March 2010, no person, other than certain directors of the Company, whose interests are set out in the section "Directors' interests and short positions 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

In March 2004, the Group via its wholly owned subsidiary Extrawell (BVI) Limited ("Extrawell BVI") acquired 51% equity interest in Smart Ascent Limited ("Smart Ascent") whereas Mr. Ong Cheng Heang ("Mr. Ong") was one of the vendors, and thereafter in July 2007 Extrawell BVI entered into a conditional sale and purchase agreement to acquire the remaining 49% interest in Smart Ascent as owned by Mr. Ong.

Since Mr. Ong was regarded as a connected person of the Company within the meaning of the Listing Rules by virtue of him being a son-in-law of Mr. Ho Chin Hou, a former director of the Company who resigned in effect from 12 March 2009, Smart Ascent falls within the definition of connected person in Rule 14A.11(5) of the Listing Rules.

As stated in the Company's announcement dated 14 August 2009, during the five years ended 31 March 2009 and the period from 1 April 2009 to the date of the announcement, Extrawell BVI had advanced to Smart Ascent approximately HK$1,230,000, HK$1,586,000, HK$1,142,000, HK$142,000, HK$5,286,000 and HK$192,000 respectively (the "Advances"). The Advances were unsecured, non-interest bearing and repayable upon demand. In respect of Advances made by Extrawell BVI by way of grant of shareholder's loan to Smart Ascent, such Advances had been made in cash, whereas the other Advances had been by Extrawell BVI by payment of Smart Ascent's fees and expenses on its behalf. The amounts of the Advances had been determined based on working capital requirements and/or the amount of operational and administrative expenses incurred by the Smart Ascent Group (Smart Ascent and its subsidiaries). No written agreements had been made between Extrawell BVI and Smart Ascent on or before the time when these Advances were made.

REPORT OF THE DIRECTORS (CONTINUED)

CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Details of each of the Advances made by Extrawell BVI to Smart Ascent for the period concerned are set out below:

Year	2004		2005		2006		2007		2008		2009	
Month	**Date**	**HK$'000**	**Date**	**HK$'000**	**Date**	**HK$'000**	**Date**	**HK$'000**	**Date**	**HK$'000**	**Date**	**HK$'000**
January			26	700	13	500	31	22				
February					28	2	28	1			28	4,786
March											9	96
					31	21	31	207			31	8
April					13	500					15	96
					29	0.025						
					30	93	30	23	30	45		
May			3	300	31	19			31	134		
June					30	5	30	4	30	76		
July					31	221	31	19	31	40	1	96
August			31	90	31	6	31	6	31	76		
September			30	170	30	2			30	22		
October	20	500	13	250								
			27	250								
November			30	2	30	2	30	58				
December	31	30			31	64	31	32	31	3		

The outstanding balance of the Advances made by Extrawell BVI to Smart Ascent as at 31 March 2005, 2006, 2007, 2008, 2009 and as at the date of the announcement were approximately HK$1,230,000, HK$2,816,000, HK$3,958,000, HK$4,100,000, HK$9,386,000 and HK$9,578,000 respectively.

As each of the Advances made during the six years ended 31 March 2005, 2006, 2007, 2008, 2009 and 2010 had neither been made in the ordinary and usual course of business of the Group nor on normal commercial terms within the meaning of the Listing Rules (or better to the Group), each of the aforesaid Advances constituted a connected transaction which should have been subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS (CONTINUED)

CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

A written confirmation was made between Extrawell BVI and Smart Ascent on 11 August 2009 to record the terms of the Advances made. The Company shall enter into written agreements in respect of any advances made by any Group member (excluding the Smart Ascent Group) to any member of the Smart Ascent Group in the future for complete record purposes and for compliance with Rule 14A.04 of the Listing Rules.

Save for the Advances disclosed above, none of the Group members (excluding the Smart Ascent Group) had made any advances to any member of the Smart Ascent Group during the six years ended 31 March 2010.

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 39 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 Rule 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 2010 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

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, 16 July 2010

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") as set out on pages 31 to 85, which comprise the consolidated and the Company statements of financial position as at 31 March 2010 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda (as amended) and for no other purposes. 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 Company and the Group as at 31 March 2010 and of the Group's profit and consolidated 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 19 to the consolidated financial statements, included in Intangible Assets as at 31 March 2010 is the technological know-how with the carrying value of approximately HK$284,260,000 (2009: 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 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 not 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 outcome 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

(b) As set out in note 21(c) to the consolidated 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 (2009: 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 this 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 consolidated financial statements, we consider the uncertainty as to the risks associated with the assets as mentioned in the above two paragraphs have been adequately disclosed in the consolidated 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, 16 July 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	NOTE	2010 HK$'000	2009 HK$'000
TURNOVER	7	**196,291**	184,434
COST OF SALES		**(142,447)**	(126,547)
GROSS PROFIT		**53,844**	57,887
OTHER REVENUES	8	**13,518**	6,676
SELLING AND DISTRIBUTION EXPENSES		**(20,645)**	(23,188)
ADMINISTRATIVE EXPENSES		**(28,421)**	(30,596)
IMPAIRMENT ON TRADE RECEIVABLES		**(5,508)**	(2,788)
PROFIT FROM OPERATIONS		**12,788**	7,991
FINANCE COSTS	9	**—**	(2)
PROFIT BEFORE TAXATION	10	**12,788**	7,989
TAXATION	11	**2,784**	9,418
PROFIT FOR THE YEAR		**15,572**	17,407
OTHER COMPREHENSIVE INCOME			
EXCHANGE REALIGNMENT		**—**	9,700
TOTAL COMPREHENSIVE INCOME		**15,572**	27,107
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		**14,624**	15,551
MINORITY INTERESTS		**948**	1,856
		15,572	17,407
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		**14,624**	25,252
MINORITY INTERESTS		**948**	1,855
		15,572	27,107
		HK cents	HK cents
EARNINGS PER SHARE			
BASIC	15	**0.64**	0.68
DILUTED	15	**N/A**	N/A

The notes on pages 37 to 85 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	NOTE	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	50,045	53,252
Prepaid land lease payments	18	13,634	14,428
Intangible assets	19	287,186	285,676
Amounts due from minority shareholders	20	9,598	9,054
		360,463	362,410
CURRENT ASSETS			
Inventories	22	23,121	28,291
Trade receivables	23	84,756	89,675
Deposits, prepayments and other receivables	24	60,304	64,455
Amount due from a minority shareholder	20	3	3
Pledged bank deposits	25	20,579	20,498
Cash and cash equivalents	26	104,987	80,718
		293,750	283,640
CURRENT LIABILITIES			
Trade and bills payables	27	8,479	10,401
Accruals and other payables	28	46,312	44,563
Amounts due to minority shareholders	29	32,570	32,847
Dividend payable to minority shareholders	30	—	1,298
Tax payables		2,171	6,163
		89,532	95,272
NET CURRENT ASSETS		204,218	188,368
TOTAL ASSETS LESS CURRENT LIABILITIES		564,681	550,778
NON-CURRENT LIABILITIES			
Amounts due to minority shareholders		14,493	13,672
Deferred tax liabilities	31	102	102
		14,595	13,774
NET ASSETS		550,086	537,004
CAPITAL AND RESERVES			
Share capital	32	22,900	22,900
Reserves	33	313,896	299,272
Equity attributable to equity holders of the Company		336,796	322,172
Minority interests		213,290	214,832
TOTAL EQUITY		550,086	537,004

Mao Yu Min
Director

Xie Yi
Director

The notes on pages 37 to 85 form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	NOTE	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	21	**133,614**	141,949
CURRENT ASSETS			
Dividend receivable		**69,232**	69,232
Prepayments	24	**231**	240
Cash and cash equivalents	26	**21**	17
		69,484	69,489
CURRENT LIABILITIES			
Accruals and other payables	28	**527**	1,728
NET CURRENT ASSETS		**68,957**	67,761
NET ASSETS		**202,571**	209,710
CAPITAL AND RESERVES			
Share capital	32	**22,900**	22,900
Reserves	33	**179,671**	186,810
TOTAL EQUITY		**202,571**	209,710

Mao Yu Min
Director

Xie Yi
Director

The notes on pages 37 to 85 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Attributable to the equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000 (note 33(b)(i))	Capital reserve HK$'000 (note 33(b)(ii))	Contributed surplus HK$'000 (note 33(b)(iii))	Foreign currency translation reserve HK$'000 (note 33(b)(iv))	Retained earnings HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
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
Comprehensive income									
Profit for the year	–	–	–	–	–	15,551	15,551	1,856	17,407
Other comprehensive income									
Exchange realignment	–	–	–	–	9,701	–	9,701	(1)	9,700
Total comprehensive income	–	–	–	–	9,701	15,551	25,252	1,855	27,107
Transactions with equity holders									
Dividend payable to minority interests	–	–	–	–	–	–	–	(2,980)	(2,980)
Transfer to capital reserve	–	–	1,023	–	–	(1,023)	–	–	–
Total transactions with equity holders	–	–	1,023	–	–	(1,023)	–	(2,980)	(2,980)
At 31 March 2009	22,900	133,717	6,542	4,839	31,482	122,692	322,172	214,832	537,004
FOR THE YEAR ENDED 31 MARCH 2010									
At 1 April 2009	**22,900**	**133,717**	**6,542**	**4,839**	**31,482**	**122,692**	**322,172**	**214,832**	**537,004**
Comprehensive income									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**14,624**	**14,624**	**948**	**15,572**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**14,624**	**14,624**	**948**	**15,572**
Transactions with equity holders									
Acquisition of additional interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,490)**	**(2,490)**
Total transactions with equity holders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,490)**	**(2,490)**
At 31 March 2010	**22,900**	**133,717**	**6,542**	**4,839**	**31,482**	**137,316**	**336,796**	**213,290**	**550,086**

The notes on pages 37 to 85 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**12,788**	7,989
Adjustments for:		
Amortisation of intangible assets	**297**	543
Amortisation of prepaid land lease payments	**794**	520
Depreciation of property, plant and equipment	**4,626**	5,094
Increase/(decrease) in allowance for obsolete inventories	**264**	(1,851)
Impairment on trade receivables	**5,508**	2,788
Impairment on other receivables	**94**	—
Loss/(gain) on disposal of property, plant and equipment	**4**	(70)
Reversal of impairment on trade receivables	**(6,461)**	(1,026)
Finance costs	**—**	2
Interest income	**(637)**	(1,424)
Operating profit before changes in working capital	**17,277**	12,565
Decrease/(increase) in inventories	**4,906**	(7,801)
Decrease in trade receivables	**5,872**	5,521
Decrease/(increase) in deposits, prepayments and other receivables	**4,054**	(5,758)
(Decrease) in trade and bills payables	**(1,922)**	(2,622)
Increase in accruals and other payables	**1,749**	50
Cash generated from operations	**31,936**	1,955
Income tax paid	**(1,208)**	(1,176)
Interest income received	**637**	1,424
Finance costs paid	**—**	(2)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**31,365**	2,201
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**—**	1,719
Purchases of property, plant and equipment	**(1,423)**	(3,322)
Purchase of additional interest in a subsidiary (note 37)	**(2,240)**	—
Increase in pledged bank deposits	**(81)**	(2,338)
NET CASH (USED IN) INVESTING ACTIVITIES	**(3,744)**	(3,941)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in amounts due from minority shareholders	**(2,598)**	(9,049)
Increase in amounts due to minority shareholders	**544**	14,115
Dividend paid to a minority shareholder	**(1,298)**	(1,682)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(3,352)**	3,384
NET INCREASE IN CASH AND CASH EQUIVALENTS	**24,269**	1,644
EFFECT ON FOREIGN EXCHANGE RATE CHANGES	**—**	6,840
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**80,718**	72,234
CASH AND CASH EQUIVALENTS AT END OF YEAR	**104,987**	80,718
ANALYSIS OF THE CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**104,987**	80,718

The notes on pages 37 to 85 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

1. GENERAL INFORMATION

Extrawell Pharmaceutical Holdings Limited is a limited liability company 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 principal activities of the Company and its subsidiaries (collectively, the "Group") are investment holding, 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 development and commercialisation of oral insulin products.

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

2. BASIS OF PREPARATION

The consolidated financial statements of Extrawell Pharmaceutical Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"'), which include all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs"') and Interpretations ("Ints") 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 of Hong Kong Limited (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 3.

These consolidated financial statements are presented in Hong Kong dollars, and all values are rounded to the nearest thousand dollar except when otherwise indicated.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated 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 consolidated financial statements, are disclosed in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

2. BASIS OF PREPARATION (Continued)

(a) Amendments and interpretations to existing standards effective as of 1 January 2009 and relevant to the Group

The HKICPA has issued one new HKFRSs, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

HKFRS 7 (Amendment)	Improving Disclosure about Financial Instruments
HKAS 1 (Revised)	Presentation of Financial Statements
HKFRS 8	Operating Segments
HKFRSs (Amendments)	Improvement to HKFRSs issued in 2008

HKFRS 7 "Financial Instruments — Disclosures" (Amendment) — effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures.

HKAS 1 (Revised). "Presentation of Financial Statements" — effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, "non-owner changes in equity" is required to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

HKFRS 8, "Operating Segments" — effective 1 January 2009. The standard requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. During the year ended 31 March 2010, the Group adopted HKFRS 8 which has no effect on the disclosures of the consolidated financial statements as the presentation of segment information in prior years, which was based on a disaggregation of the Group's financial statements into segments, has been prepared in a manner that was consistent with internal reporting provided to the Group's most senior executive management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

2. BASIS OF PREPARATION (Continued)

(a) Amendments and interpretations to existing standards effective as of 1 January 2009 and relevant to the Group (Continued)

The "Improvements to HKFRSs (2008)" — effective 1 January 2009 comprises a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. The impact of these amendments is not considered to be material to the Group and have not resulted in changes to the Group's accounting policies.

(b) Standards, amendments and interpretations to existing standards that are not yet effective

The following new standards, amendments and interpretations to existing standards (collectively, the "Amendments") have been published that are mandatory for accounting periods beginning on or after 1 January 2010. Some of the Amendments are relevant and applicable to the Group. However, they have not been early adopted in these consolidated financial statements. The Group has commenced, but not yet completed, an assessment of the impact of the applicable Amendments on its results of operations and financial positions. The directors are of the view that the impact on the consolidated financial statements would not be significant other than certain additional disclosures.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[5]
HK (IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[1]
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]

[1] *Effective for annual periods beginning on or after 1 July 2009*

[2] *Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate*

[3] *Effective for annual periods beginning on or after 1 January 2011*

[4] *Effective for annual periods beginning on or after 1 July 2010*

[5] *Effective for annual periods beginning on or after 1 January 2013*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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 acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

Disposals to minority interests result in gains and losses for the Group and are recorded in the consolidated statement of comprehensive income. Purchases from minority interests results in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Intangible assets

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

(i) Technological know-how

This category consists of rights to technological know-how for the development and production of general pharmaceutical products, and rights for development and commercialisation of an oral insulin product. The intangible assets relating to the general pharmaceutical products are amortized 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 amortized as the rights are not yet available for use.

(ii) Gene invention rights

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

(iii) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognized in the consolidated statement of financial position as an "intangible asset". Goodwill is initially measured at cost and subsequently carried at cost less accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated statement of financial position.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided regularly to the Group's chief operating decision-maker for the purpose of allocating resources to, and assessing performance of, various lines of business and geographical locations.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group entities operate (the "functional currency") which include Hong Kong dollar and Renminbi. As the Company is listed in Hong Kong, for the convenience of the users of these consolidated financial statements, the results and the financial position of the Group are expressed in Hong Kong dollar, the presentation currency for the consolidated financial statements.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

(iii) Group entities

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each reporting period presented are translated at the closing rate at the date of that reporting period;

— income and expenses for each statement of comprehensive income presented 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 dates of the transactions); and

— all resulting exchange differences are recognized as a separate component of equity.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment

Buildings comprise mainly factories and offices. Buildings are carried at cost less subsequent depreciation and impairment losses. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized 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 recorded as expenses in the consolidated statement of comprehensive income during the period in which they are incurred.

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 asset's residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting period end.

Gains or losses on disposal are determined by comparing the proceeds with the carrying amounts and are recognized in the consolidated statement of comprehensive income.

When revalued assets are sold, the amounts included in other reserves are transferred to retained profits.

(f) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting period.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Inventories

Inventories comprise raw materials, work-in-progress and finished goods. 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 comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses and the estimated costs necessary to make the sales.

(h) Receivables

Receivables, including trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of comprehensive income within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the consolidated statement of comprehensive income.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(j) Other financial liabilities

Financial liabilities, including trade and bills payables, accruals and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. They are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability at least 12 months after the reporting period end.

(k) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred, and subsequently measured at amortized cost, and difference between the proceeds (net of transactions costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

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 reporting period end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation where, as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(m) Income tax

The tax expense for the year comprises current income tax and deferred income tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, and associates, except where the timing of the reverse of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Employee benefits

(i) Employee leave entitlements

Employees' entitlements to annual leave and long service leave are recognized 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 reporting period end.

(ii) Pension obligations

The Group operates a defined contribution retirement scheme under a mandatory provident fund scheme ("MPF scheme") in Hong Kong for its employees in Hong Kong, the assets of which are held in separate trustee-administered funds. The Group's contributions to the MPF scheme are based on a fixed percentage of the employees' relevant income per month.

In accordance with the PRC regulations, the Group is required to pay social security contributions for its PRC staff based on certain percentage of their salaries to the social security plan organised by related governmental bodies (the "PRC plan").

The Group has no further payment obligations once the contributions have been paid to the retirement schemes and PRC plan. The Group's contributions to these retirement schemes and PRC plan are recognized as employee benefit expense in the consolidated statement of comprehensive income when they are due.

(iii) Termination benefits

Termination benefits are recognized 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) Revenue recognition

Revenue recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

Revenue from the sales of manufactures goods and trading of finished goods are recognized 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 recognized on a time-proportion basis using the effective interest method.

Rental income is recognized on a time proportion basis over the terms of leases.

Sundry income is recognized on an accrual basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Leases

(i) Operating leases (As a lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease term.

The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

(q) Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's products development is recognized 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 amortized on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognized, development expenditure is charged to the consolidated statement of comprehensive income the period in which it is incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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;

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

(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.

4. 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 (2009: 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 and goodwill with carrying amount of approximately HK$1,119,000 and HK$1,807,000 respectively (2009: HK$1,416,000 and HK$ Nil respectively) 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.

4. CRITICAL JUDGEMENT IN APPLYING POLICIES (Continued)

(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) Allowance for slow-moving and obsolete inventories

Allowance for slow-moving and obsolete inventories is made based on the aging 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.

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 reporting period end.

(d) 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 recognizes 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.

5. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, amounts due from/(to) minority shareholders, trade and other payables. Details of these financial instruments are disclosed in respective notes.

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. The management monitors and manages the financial risks through internal risk assessment which analyses exposures by degree and magnitude of risks.

(a) Foreign currency risk

Foreign exchange risk arises when commercial transactions, assets or liabilities are denominated in a currency that is not the functional currency of the Group entities. The Group operates mainly in Hong Kong and the PRC and is exposed to foreign currency exchange rate risk arising from various foreign currency exposures, primarily with respect to United States dollars.

The directors are of the opinion that the Hong Kong dollars are reasonably stable with the United States dollars under the Linked Exchange Rate System, and accordingly, no sensitivity analysis of United States dollars with respect to Hong Kong dollars is performed.

At 31 March 2010, if Renminbi had strengthened/weakened by 1% (2009: 1%) against the United States dollars with all other variables held constant, the Group's pre-tax profit for the year would have been HK$740,025 (2009: HK$576,780) higher/lower, mainly as a result of foreign exchange gains/losses on translation of United States dollars-denominated net asset/liabilities, representing trade and other receivables, cash and cash equivalents and trade and other payables.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and cash at banks.

The Group has no significant concentration of credit risk. In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. These credit evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group will make specific provision for those balances which cannot be recovered. Normally, the Group does not obtain collateral from customers. In the opinion of the directors, the default risk of the Group is considered to be low.

The credit risk on liquid funds in banks is limited because the counterparties are reputable and creditworthy banks.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset at the reporting period end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash and bank deposits to meet its liquidity requirements in the short and longer term. Accordingly, the directors are of the opinion that the Group does not have significant liquidity risk.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period starting from 31 March 2010 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Total HK$'000
At 31 March 2010			
Trade and bills payables	**8,479**	**—**	**8,479**
Accruals and other payables	**46,312**	**—**	**46,312**
Amounts due to minority shareholders	**32,570**	**14,493**	**47,063**
	87,361	**14,493**	**101,854**
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	13,672	46,519
Dividend payable to minority shareholders	1,298	—	1,298
	89,109	13,672	102,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The Company

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Total HK$'000
At 31 March 2010			
Accruals and other payables	**527**	**—**	**527**
At 31 March 2009			
Accruals and other payables	1,728	—	1,728

(d) Interest rate risk

Other than the cash at banks and bank deposits which carry interest at prevailing market interest rates, the Group has no other significant interest-bearing assets or liabilities. The interest rate risk mainly arises from interest-bearing bank deposits.

At 31 March 2010, if interest rates on interest bearing bank deposits, had been 100 basis points increase/decrease with all other variables held constant, the Group's pre-tax profit for the year would have been approximately HK$785,000 increase/decrease (2009: consolidated profit for the year would have been approximately HK$690,000 increase/decrease).

(e) Fair value

The carrying values less impairment provision of trade and other receivables, trade and other payables, as well as amounts due from/to minority shareholders, are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the effect of discounting will be immaterial.

6. 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 People's Republic of China (the "PRC"), and over 90% of the Group's assets and capital expenditures are located in the PRC.

The Group's operating business 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

6. 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 for the years ended 31 March 2010 and 31 March 2009.

	Manufacturing		Trading		Gene development		Oral insulin		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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	**45,722**	46,444	**150,569**	137,990	**—**	—	**—**	—	**196,291**	184,434
Segment results	**4,219**	3,107	**14,734**	10,782	**(67)**	(74)	**(1,160)**	(482)	**17,726**	13,333
Interest income									**637**	1,424
Net unallocated expenses									**(5,575)**	(6,766)
Profit from operations									**12,788**	7,991
Finance costs									**—**	(2)
Profit before taxation									**12,788**	7,989
Taxation									**2,784**	9,418
Profit for the year									**15,572**	17,407
Segment assets	**148,549**	149,027	**138,370**	133,275	**5**	5	**305,925**	295,815	**592,849**	578,122
Unallocated assets									**61,364**	67,928
Total assets									**654,213**	646,050
Segment liabilities	**12,663**	11,369	**41,041**	48,024	**50**	50	**17,125**	1,591	**70,879**	61,034
Unallocated liabilities									**33,248**	48,012
Total liabilities									**104,127**	109,046
Other segment information:										
Capital expenditure	**—**	2,508	**—**	110	**—**	—	**—**	—	**—**	2,618
Unallocated capital expenditure									**—**	704
									—	3,322
Depreciation and amortisation	**4,897**	5,331	**569**	572	**—**	—	**—**	—	**5,466**	5,903
Unallocated depreciation and amortisation									**251**	254
									5,717	6,157
Other non-cash expenses, other than depreciation and amortisation:										
Impairment on trade receivables	**4,952**	1,505	**556**	1,283	**—**	—	**—**	—	**5,508**	2,788
Impairment on other receivables	**94**	—	**—**	—	**—**	—	**—**	—	**94**	—
Increase/(decrease) in allowance for obsolete inventories	**264**	(1,851)	**—**	—	**—**	—	**—**	—	**264**	(1,851)
Loss/(Gain) on disposal of property, plant and equipment	**—**	(213)	**3**	1	**—**	—	**—**	—	**3**	(212)
Unallocated loss on disposal of property, plant and equipment									**1**	142
									4	(70)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

7. TURNOVER

	2010	2009
	HK$'000	HK$'000
Manufacturing of pharmaceutical products	**45,722**	46,444
Trading of pharmaceutical products	**150,569**	137,990
	196,291	184,434

8. OTHER REVENUES

	2010	2009
	HK$'000	HK$'000
Exchange gain	**57**	641
Gain on disposal of property, plant and equipment	**—**	70
Interest income	**637**	1,424
Rental income	**60**	67
Reversal of impairment on trade receivables *(note 23)*	**6,461**	1,026
Sundry income	**6,303**	3,448
	13,518	6,676

9. FINANCE COSTS

	2010	2009
	HK$'000	HK$'000
Bank loan interests	**—**	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

10. PROFIT BEFORE TAXATION

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

	2010	2009
	HK$'000	HK$'000
Amortisation of prepaid land lease payments	**794**	520
Amortisation of intangible assets (included in Cost of Sales)	**297**	543
Auditors' remuneration		
— Current year	**650**	676
— Over-provision in prior years	**—**	(40)
	650	636
Cost of Sales *(Note)*	**142,447**	126,547
Depreciation of property, plant and equipment	**4,626**	5,094
Exchange loss	**558**	—
Increase/(decrease) in allowance for obsolete inventories	**264**	(1,851)
Impairment on other receivables	**94**	—
Impairment on trade receivables	**5,508**	2,788
Loss on disposal of property, plant and equipment	**4**	—
Operating lease charges in respect of land and buildings	**2,222**	2,149
Research and development costs	**809**	1,222
Staff cost (including directors' emoluments)		
— Salaries, bonus and allowances	**36,529**	36,666
— Retirement benefits scheme contributions	**1,906**	1,667
	38,435	38,333

Note: Cost of Sales includes staff cost and depreciation of approximately HK$8,454,000 (2009: HK$8,290,000) which are separately disclosed as above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

11. TAXATION

Taxation in consolidated statement of comprehensive income represents:

	2010 **HK$'000**	2009 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**80**	110
(Over)-provision in prior years	**(110)**	(19)
	(30)	91
Current tax — Overseas		
Provision for the year	**1,246**	4,947
(Over)-provision in prior years	**(4,000)**	(14,456)
	(2,754)	(9,509)
	(2,784)	(9,418)

Hong Kong Profits Tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year. 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.

Under the Enterprise Income Tax Law (the "EIT Law"), the PRC corporate income tax has been standardised at the rate of 25%. However, certain subsidiaries of the Company have been granted preferential tax treatments 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 22% for 2010. The rate would gradually increase to 24% for 2011 and 25% for 2012 according to the grandfathering rules stipulated in the Implementation Rules and related circular.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

11. TAXATION (Continued)

When the EIT Law was introduced in the beginning of 2008, the Group made a provision amounting to HK$15,000,000 in the consolidated financial statements for the year ended 31 March 2008 for the exposure that the Group may face due to the implementation of the EIT Law. However, subsequent advices sought from PRC tax professionals confirmed that the EIT Law does not contain provisions for retrospective application. Accordingly, a write back of the provision in the amount of HK$14,200,000 was made to the consolidated financial statements for the year ended 31 March 2009. During the current year, the Group has further taken steps to mitigate its exposure to EIT Law and the tax provision made in the prior years in the amount of HK$4,000,000 was also written back in the current year's consolidated financial statements.

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, was as follows:

	2010	2009
	HK$'000	HK$'000
Profit before taxation	**12,788**	7,989
Tax at the statutory tax rates applicable to the respective tax jurisdictions	**450**	2,636
Tax effect on expenses not deductible	**1,870**	1,851
Tax effect on income not taxable	**(18)**	(4)
Tax effect of temporary differences not recognized	**4**	5
(Over)-provision in prior years	**(4,110)**	(14,364)
Others	**(980)**	458
Income tax (credit)	**(2,784)**	(9,418)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

12. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:

(a) Directors' emoluments

	Fee		Salaries, bonus and other benefits		Pension scheme contributions		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK'000	**HK$'000**	HK$'000
Name of directors								
Mao Yu Min	**40**	20	**975**	975	**—**	—	**1,015**	995
Xie Yi	**40**	20	**679**	559	**—**	—	**719**	579
Lou Yi	**20**	—	**25**	—	**—**	—	**45**	—
Wong Sau Kuen	**20**	—	**494**	233	**12**	—	**526**	233
Fang Lin Hu	**40**	20	**—**	—	**—**	—	**40**	20
Xue Jing Lun	**40**	20	**—**	—	**—**	—	**40**	20
Jin Song	**40**	20	**—**	—	**—**	—	**40**	20
Ho Chin Hou *(note a)*	**—**	20	**—**	975	**—**	—	**—**	995
Ho Yu Ling *(note b)*	**—**	20	**—**	450	**—**	6	**—**	476
Li Qiang *(note c)*	**—**	20	**—**	333	**—**	—	**—**	353
	240	160	**2,173**	3,525	**12**	6	**2,425**	3,691

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 emoluments during the year.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

12. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2009: three) directors whose emoluments fell within the following bands:

	2010	2009
Nil to HK$1,000,000	**4**	5
HK$1,000,001 to HK$1,500,000	**1**	—
	5	5

Details of emoluments of the two (2009: two) non-directors out of the five highest paid individuals during the year are as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries and allowance	**1,430**	1,072
Pension scheme contributions	**24**	24
	1,454	1,096

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

13. 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 consolidated statement of comprehensive income 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.

14. LOSS ATTRIBUTABLE TO EQUITY HOLDERS

The loss attributable to equity holders of the Company is dealt with in the statement of comprehensive income of the Company to the extent of HK$7,139,000 (2009: HK$8,560,000).

15. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the Company's equity holders of approximately HK$14,624,000 (2009: profit attributable to the Company's equity holders of approximately HK$15,551,000) and on the weighted average of 2,290,000,000 (2009: 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 2010 and 31 March 2009 and accordingly, no diluted earnings per share have been presented.

16. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2010 (2009: HK$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

17. PROPERTY, PLANT AND EQUIPMENT

The Group:

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1 April 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
Additions	59	1,206	158	—	1,423
Disposal	—	—	(243)	—	(243)
At 31 March 2010	58,573	28,842	7,270	6,168	100,853
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 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
Charge for the year	1,523	2,011	556	536	4,626
Written back on disposal	—	—	(239)	—	(239)
At 31 March 2010	18,575	22,198	5,230	4,805	50,808
CARRYING AMOUNT					
At 31 March 2010	39,998	6,644	2,040	1,363	50,045
At 31 March 2009	41,462	7,449	2,442	1,899	53,252

Depreciation of property, plant and equipment of HK$2,684,000 (2009: HK$1,758,000) has been charged in administrative expenses and HK$1,942,000 (2009: HK$3,336,000) has been charged in cost of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

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瀋路98號 (the "Buildings") to 吉林省東方製藥有限公司 (the "Purchaser"), an independent third party for a consideration of RMB1,500,000.

According to the S&P Agreement, the Purchaser is responsible for processing 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 in 2009.

18. PREPAID LAND LEASE PAYMENTS

The Group:

	2010 HK$'000	2009 HK$'000
COST		
At beginning of year	23,966	23,064
Exchange alignments	—	902
At end of year	23,966	23,966
ACCUMULATED AMORTISATION AND IMPAIRMENT		
At beginning of year	9,538	8,813
Charge for the year	794	520
Exchange alignments	—	205
At end of year	10,332	9,538
CARRYING AMOUNT		
At 31 March	13,634	14,428

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

	2010 HK$'000	2009 HK$'000
Land outside Hong Kong:		
Medium-term leases	13,634	14,428

Amortisation of prepaid land lease payments of HK$355,000 (2009: HK$173,000) has been charged in administrative expenses and HK$439,000 (2009: HK$347,000) has been charged in cost of sales.

19. INTANGIBLE ASSETS

The Group:

	Technological know-how HK$'000	Gene invention rights HK$'000	Goodwill HK$'000	Total HK$'000
COST				
At 1 April 2008	293,935	95,000	—	388,935
Exchange alignments	858	—	—	858
At 31 March 2009	294,793	95,000	—	389,793
Addition	—	—	1,807	1,807
At 31 March 2010	294,793	95,000	1,807	391,600
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 April 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
Charge for the year	297	—	—	297
At 31 March 2010	9,414	95,000	—	104,414
CARRYING AMOUNT				
At 31 March 2010	285,379	—	1,807	287,186
At 31 March 2009	285,676	—	—	285,676

Amortisation of intangible assets of HK$297,000 (2009: HK$543,000) has been charged in cost of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

19. INTANGIBLE ASSETS (Continued)

Note:

The carrying amount of the technological know-how includes the technological know-how of approximately HK$284,260,000 (2009: HK$284,260,000) (the "Know-how") 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 a 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 2010 that is not less than the carrying amount of the Know-how of HK$284,260,000. 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$1,119,000 (2009: HK$1,416,000) represents the technological know-how in relation to the manufacture and sales of pharmaceutical products held by another subsidiary, Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd. ("JECP").

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 (2009: HK$ Nil) for the year.

Goodwill represents the excess of the cost of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities arising from an acquisition of additional 5.49% interests in CEP from a minority shareholder. (Please refer to note 37 for further details).

20. AMOUNTS DUE FROM MINORITY SHAREHOLDERS

Name	**2010** **HK$'000**	2009 HK$'000
Non-current portion		
Fordnew Industrial Limited *(Notes a, b)*	**5,680**	5,358
Zheng Chang Xue *(Notes a, b)*	**1,632**	1,539
Hou Shi Chang *(Notes a, b)*	**288**	272
Groupmark Investment Group Limited *(Notes a, b)*	**1,518**	1,432
Feel So Good Limited *(Notes a, b)*	**480**	453
	9,598	9,054
Current portion		
Hou Shi Chang *(Notes a, c)*	**3**	3

Notes:

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

(b) *The amounts due are 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.*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

21. INTERESTS IN SUBSIDIARIES

	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**52,990**	52,990
Add: Amounts due from subsidiaries	**120,348**	120,283
	173,338	173,273
Less: Amounts due to subsidiaries	**(21,894)**	(15,078)
Provision for impairment loss of interests in subsidiaries	**(17,830)**	(16,246)
	133,614	141,949

Particulars of the Company's principal subsidiaries as at 31 March 2010 are as follows:

Name	Place of incorporation/ registration and operations	Issued and paid-up capital/ registered capital	Percentage of ownership/interest Direct	Percentage of ownership/interest Indirect	Principal activities
Extrawell (BVI) Limited	British Virgin Islands ("BVI")	10,000 ordinary shares of US$1 each	100%	—	Investment holding
JECP *(Note a)*	The People of Republic of China ("The PRC")	RMB33,000,000	60%	40%	Development, manufacture, and sales of pharmaceutical products
Extrawell Enterprises Limited	Hong Kong	2 ordinary shares of HK$10 each, and 100,000 non-voting deferred shares of HK$10 each	—	100%	Investment holding
Extrawell Pharmaceutical (HK) Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Provision of agency services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

21. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Issued and paid-up capital/ registered capital	Percentage of ownership/interest Direct	Indirect	Principal activities
South Asia Pharmaceutical (China) Limited	BVI	50,000 ordinary shares of US$1 each	—	100%	Marketing and distribution of pharmaceutical products
Mega Asia Pharmaceutical Limited	Hong Kong	10,000 ordinary shares of HK$1 each	—	100%	Provision of agency services
Smart Phoenix Holdings Limited	BVI	100 ordinary shares of US$1 each	—	100%	Investment holding
CEP *(Note b)*	The PRC	RMB50,000,000	—	73%	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 Limited ("Smart Ascent") *(Note c)*	Hong Kong	10,000 ordinary shares of HK$1 each	—	51%	Investment holding
Fosse Bio-Engineering Development Limited ("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 Development Limited ("Welly Surplus") *(Note d)*	Hong Kong	100 ordinary shares of HK$1 each	—	26%	Inactive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

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. During the year, the Group had acquired an additional 5.49% interests from a minority shareholder and as a result the equity interest of the Group increased from approximately 68% to 73% as at 31 March 2010.

(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 as at 31 March 2010. 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. The unpaid installments are included in amounts due to minority shareholders.

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 24.

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 identified, amongst other matters, that the Group had 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 should have constituted connected transactions, as a result of the matters disclosed in the above paragraphs. Further announcement was made by the Company on 14 August 2009, which disclosed that the advances constituted connected transactions which should have been subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules, and details of advances made during the year are disclosed in note 39(b) to the consolidated financial statements. Pursuant to the Company's announcement dated 23 December 2009, the Company has fulfilled all resumption conditions and trading in the Company's shares was resumed on 24 December 2009.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

22. INVENTORIES

The Group:

	2010 HK$'000	2009 HK$'000
Raw materials	**2,342**	2,103
Work in progress	**1,549**	1,103
Finished goods	**19,230**	25,085
	23,121	28,291

23. TRADE RECEIVABLES

The Group:

	2010 HK$'000	2009 HK$'000
Trade receivables	**103,415**	109,858
Less: Impairment on trade receivables	**(18,659)**	(20,183)
Trade receivables, net of provision	**84,756**	89,675

The carrying amounts of trade receivables approximate their fair values as at 31 March 2010 and 31 March 2009. The Group does not hold any collateral or other credit enhancements over these balances.

The aging analysis of the trade receivables, based on the delivery dates of goods, was as follows:

	2010 HK$'000	2009 HK$'000
Within 90 days	**37,391**	54,218
Between 91 to 180 days	**25,576**	20,690
Between 181 to 365 days	**21,789**	15,665
Between 1 to 2 years	**5,508**	14,443
Over 2 years	**13,151**	4,842
	103,415	109,858

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

23. TRADE RECEIVABLES (Continued)

The aging analysis of the trade receivables, net of impairment loss, based on the delivery dates of goods, was as follows:

	2010	2009
	HK$'000	HK$'000
Within 90 days	**37,391**	54,218
Between 91 to 180 days	**25,576**	20,690
Between 181 to 365 days	**21,789**	14,559
Between 1 to 2 years	**—**	181
Over 2 years	**—**	27
	84,756	89,675

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.

The movements for impairment on trade receivables were as follows:

	2010	2009
	HK$'000	HK$'000
At beginning of year	**20,183**	17,431
Exchange realignments	**—**	990
Write-off of trade receivables	**(571)**	—
Impairment on trade receivables	**5,508**	2,788
Reversal of impairment on trade receivables *(note 8)*	**(6,461)**	(1,026)
At end of year	**18,659**	20,183

The reversal and subsequent provision for impaired receivables have been included in the consolidated statement of comprehensive income.

All the carrying amounts of the Group's trade receivables were denominated in Renminbi.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

24. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group:

	2010 HK$'000	2009 HK$'000
Deposits	**1,652**	848
Other receivables	**23,024**	30,181
Other receivable due from connected persons *(Note)*	**31,780**	31,780
Maximum exposure to credit risk	**56,456**	62,809
Prepayments	**3,848**	1,646
	60,304	64,455

The Company:

	2010 HK$'000	2009 HK$'000
Prepayments	**231**	240

The carrying amounts of the Group's deposits, prepayments and other receivables approximate their fair values as at 31 March 2010 and 31 March 2009. The Group does not hold any collateral or other credit enhancements over these balances.

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 51% interest in Fosse Bio, being the third and fourth installments of the consideration for this interest in Fosse Bio.

Risk in respect of the other receivable due from connected persons

As mentioned in note 21(c), the other receivable 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 receivable 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 19 for details).

The carrying amounts of the Group's deposits, prepayments and other receivables were denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
Renminbi	**15,580**	19,636
Hong Kong dollars	**44,724**	44,819
	60,304	64,455

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

25. PLEDGED BANK DEPOSITS

The Group:

	2010 HK$'000	2009 HK$'000
Pledged time deposits	**20,579**	20,498

The carrying amount of the Group's pledged bank deposits was denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
United States dollars	**17,126**	17,057
Hong Kong dollars	**3,453**	3,441
	20,579	20,498

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 rates ranging from 0.24% to 0.68% (2009: 0.59% to 3.8%) per annum and therefore are subject to interest rate risk.

26. CASH AND CASH EQUIVALENTS

The Group:

	2010 HK$'000	2009 HK$'000
Bank balances and maximum exposure to credit risk	**102,450**	77,247
Cash on hand	**2,537**	3,471
	104,987	80,718

The Company:

	2010 HK$'000	2009 HK$'000
Cash and bank balances and maximum exposure to credit risk	**21**	17

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

26. CASH AND CASH EQUIVALENTS (Continued)

The carrying amounts of the Group's and the Company's cash and cash equivalents were denominated in the following currencies:

The Group:

	2010 **HK$'000**	2009 HK$'000
Renminbi	**38,597**	39,440
United States dollars	**65,192**	40,463
Hong Kong dollars	**1,198**	815
	104,987	80,718

The Company:

	2010 **HK$'000**	2009 HK$'000
United States dollars	**2**	—
Hong Kong dollars	**19**	17
	21	17

The cash and cash equivalents are carried at floating interest rates of 0.01 % to 0.5 % (2009: 0.01% to 0.25%) per annum, thus exposing the Group to 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 cash and cash equivalents was a bank balance of approximately HK$11,206,000 (2009: HK$13,483,000) being held under the name of another company. The Group is able to control the usage of this bank balance and as a result the balance was treated as the bank balance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

27. TRADE AND BILLS PAYABLES

The aging analysis of the trade and bills payables, based on the dates of receipt of goods, was as follows:

The Group:

	2010 HK$'000	2009 HK$'000
Within 90 days	5,877	6,551
Between 91 to 180 days	1,665	3,174
Between 181 to 365 days	623	413
Between 1 to 2 years	309	263
Over 2 years	5	—
	8,479	10,401

The carrying amounts of the Group's trade and bills payables, approximate their fair values as at 31 March 2010 and 31 March 2009 and were denominated in the following foreign currencies:

The Group:

	2010 HK$'000	2009 HK$'000
Renminbi	3,273	1,683
United States dollars	2,751	4,127
Euro	2,455	4,591
	8,479	10,401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

28. ACCRUALS AND OTHER PAYABLES

The Group:

	2010 HK$'000	2009 HK$'000
Accruals and other payables	46,312	44,563

The Company:

	2010 HK$'000	2009 HK$'000
Accruals and other payables	527	1,728

The carrying amounts of the Group's and the Company's accruals and other payables approximate their fair values as at 31 March 2010 and 31 March 2009 and were denominated in the following foreign currencies:

The Group:

	2010 HK$'000	2009 HK$'000
Renminbi	44,021	41,933
Hong Kong dollars	2,291	2,630

The Company:

	2010 HK$'000	2009 HK$'000
Hong Kong dollars	527	1,728

29. AMOUNTS DUE TO MINORITY SHAREHOLDERS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

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 31 March 2009, the interim dividend declared in amount of HK$1,298,000 (equivalent to RMB1,142,000) to the minority shareholders were in accrual, which was settled during the year. There was no dividend declared from the Group's subsidiaries for the year.

31. DEFERRED TAX LIABILITIES

The deferred tax liabilities at 31 March 2010 arose from accelerated tax depreciation.

At 31 March 2010, the Group has unused tax losses arising in Hong Kong and the PRC of approximately HK$3,460,000 (2009: HK$3,580,000) and HK$5,485,000 (2009: HK$3,346,000) respectively available for offset against future taxable profits. No deferred tax asset has been recognized 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 expire as follows:

	2010 **HK$'000**	2009 HK$'000
Year		
2010	**954**	954
2011	**905**	905
2012	**1,083**	1,083
2013	**404**	404
2014	**2,139**	—
	5,485	3,346

32. SHARE CAPITAL

The Group and the Company:

	Number of shares		**Share capital**	
	2010 **'000**	2009 '000	**2010** **HK$'000**	2009 HK$'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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

33. 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 statement of changes in equity on page 34 of the consolidated financial statements.

(b) Nature and purpose of reserve

(i) Share premium reserve

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 translation 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 3(d)(iii) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

33. RESERVES (Continued)

(c) The Company:

	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
For the year ended 31 March 2009					
At 1 April 2008	133,717	64,636	1,985	(6,845)	193,493
Exchange realignment	—	—	1,877	—	1,877
Loss for the year *(note 14)*	—	—	—	(8,560)	(8,560)
At 31 March 2009	133,717	64,636	3,862	(15,405)	186,810
For the year ended 31 March 2010					
At 1 April 2009	**133,717**	**64,636**	**3,862**	**(15,405)**	**186,810**
Loss for the year *(note 14)*	**—**	**—**	**—**	**(7,139)**	**(7,139)**
At 31 March 2010	**133,717**	**64,636**	**3,862**	**(22,544)**	**179,671**

34. CAPITAL RISK MANAGEMENT

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 through optimisation of capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from prior years.

The Group regularly reviews and manages its capital structure, and makes adjustments to it taking into account the changes in economic conditions, risk characteristics of the underlying assets, the Group's investment strategy and opportunities, projected operating cashflows and capital expenditures. To maintain or adjust the capital structure, the Group may adjust the level of borrowings, dividend payment to shareholders, issue new shares, or repurchase of its own shares.

The Group monitors its capital structure using debt to equity ratio; whereas debt comprises bank borrowings and amounts due to minority shareholders whilst equity means the total equity of the Group. During the year, the Group's strategy to maintain a healthy debt to equity ratio has remained unchanged, and the debt to equity ratio were 0.086 and 0.087 as at 31 March 2010 and 31 March 2009 respectively.

35. BANKING FACILITIES

At 31 March 2010, 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 in the amount of HK$6,000,000 from Extrawell Pharmaceutical Holdings Limited, in favour of a bank.

36. 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 shareholders 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

36. SHARE OPTION SCHEME (Continued)

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 31 March 2010, no share options have been granted, exercised, cancelled or lapsed under the Scheme.

37. BUSINESS COMBINATION

At 21 December 2009, the Group entered into an agreement to acquire an additional 5.49% interest in CEP for a cash consideration of RMB3,000,000. The interest in this subsidiary was subsequently increased to 73% (2009: 68%).

The recognized amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment, carrying amount	1,667
Cash and bank balances	1,172
Trade receivables	1,970
Prepayments and other receivables	572
Inventories	298
Trade payables	(133)
Accrued expenses	(186)
Dividend payable	(77)
Provision for taxation	(84)
Amounts due to fellow subsidiaries	(3,594)
Total identifiable net assets	1,605
Purchase consideration	(3,412)
Goodwill arising from acquisition	(1,807)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

37. BUSINESS COMBINATION (Continued)

Analysis of net outflow of cash and cash equivalents in respect of acquisition of additional interests in a subsidiary:

	HK$'000
Cash consideration	3,412
Cash and bank balances acquired	(1,172)
Net cash outflow	2,240

38. COMMITMENTS

(a) Commitment under operating lease

The Group had future aggregate minimum lease payable under non-cancellable operation lease with respect to office premises rental as follows:

	2010 HK$'000	2009 HK$'000
Within one year	**1,565**	1,710
In the second to fifth years, inclusive	**—**	1,567
	1,565	3,277

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.

38. COMMITMENTS (Continued)

(b) Other commitments

(i) In connection with the acquisition of the interest in Fosse Bio as disclosed in the consolidated financial statements, at 31 March 2010, the Group had a commitment to advance an interest-free loan to the Fosse Bio Vendor and/or other shareholders of Fosse Bio to cover 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 in 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");

(3) Subject to Sea Ascent's performance of its obligations as aforesaid and completion of the acquisition of Joy Kingdom by Welly Surplus as mentioned below, 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.

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 above paragraphs, provided that the maximum liability of Fosse Bio under such guarantee shall not exceed 51% of the Secured 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.

38. COMMITMENTS (Continued)

(b) Other commitments (Continued)

(ii) (4) (Continued)

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. In light of the progress of the further clinical trial, Welly Surplus and Sea Ascent have not yet concluded the revised completion timetable in relation to the construction of the Plant since 30 June 2010, and therefore the extension of the long stop date of SP Agreement. 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 consolidated financial statements.

(iii) On 16 December 2009, Fosse Bio entered into service contracts with 瀋陽鑫泰格爾醫藥科技開發有限公司 (the "Project Administrator") for provision of clinical trial management services and the related clinical studies pursuant to clinical trial of the oral insulin project. As at 31 March 2010, RMB1,000,000 was paid to the Project Administrator and the aggregate authorised contract value not provided for in these consolidated financial statements amounted to RMB12,080,000.

39. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year.

(a) Compensation for key management personnel, including amount paid to the Company's directors, as disclosed in note 12 to the consolidated financial statements, is as follows. Directors' service contracts are exempted from all reporting requirements of connected transaction under the Listing Rules.

	2010 **HK$'000**	2009 HK$'000
Salaries and other benefits	**2,413**	3,685
Pension scheme contributions	**12**	6
	2,425	3,691

39. RELATED PARTY TRANSACTIONS (Continued)

(b) During the year ended 31 March 2010, Extrawell (BVI) Limited ("Extrawell BVI"), a wholly-owned subsidiary of the Company had made advances to Smart Ascent, a 51% non wholly-owned subsidiary of the Company, totalling approximately HK$192,000 (advances made for the year ended 31 March 2009 totalling approximately HK$5,286,000). The outstanding balance of the advances made by Extrawell BVI to Smart Ascent as at 31 March 2010 was approximately HK$9,578,000 (At 31 March 2009: HK$9,386,000). The advances were unsecured, non-interest bearing and repayable upon demand. These advances constituted connected transactions under the Listing Rules as set out in the Company's announcement dated 14 August 2009, report of the directors and elsewhere in the consolidated financial statements.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The Group's and the Company's financial instruments include the following:

The Group:

	2010 HK$'000	2009 HK$'000
Financial assets — Loan and receivables		
Trade receivables	**84,756**	89,675
Deposits, prepayments and other receivables	**56,456**	62,809
Amounts due from minority shareholders	**9,601**	9,057
Pledged bank deposits	**20,579**	20,498
Cash and cash equivalents	**102,450**	77,247
	273,842	259,286
Financial liabilities — Other financial liabilities		
Trade and bills payables	**8,479**	10,401
Accruals and other payables	**46,312**	44,563
Amounts due to minority shareholders	**47,063**	46,519
Dividend payable to minority shareholders	**—**	1,298
	101,854	102,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2010

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The Company:

	2010 HK$'000	2009 HK$'000
Financial assets — Loan and receivables		
Dividend receivables	**69,232**	69,232
Cash and cash equivalents	**21**	17
	69,253	69,249
Financial liabilities — Other financial liabilities		
Accruals and other payables	**527**	1,728

41. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 16 July 2010.

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, is set out below:

	For the year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**196,291**	184,434	165,079	158,763	178,265
Profit before tax	**12,788**	7,989	2,393	9,303	6,697
Taxation	**2,784**	9,418	(15,728)	(369)	(2,510)
Profit/(Loss) for the year	**15,572**	17,407	(13,335)	8,934	4,187
Attributable to:					
— Equity holders of the Company	**14,624**	15,551	(11,735)	9,336	4,669
— Minority interests	**948**	1,856	(1,600)	(402)	(482)
	15,572	17,407	(13,335)	8,934	4,187
Dividends	**—**	—	—	—	—

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	**654,213**	646,050	619,573	609,988	571,327
Total liabilities	**(104,127)**	(109,046)	(106,696)	(93,504)	(70,559)
Total equity	**550,086**	537,004	512,877	516,484	500,768
Minority interests	**(213,290)**	(214,832)	(215,957)	(217,565)	(220,107)
	336,796	322,172	296,920	298,919	280,661