EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED

精優藥業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 00858)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2008

The Board of Directors (the "Board") of Extrawell Pharmaceutical Holdings Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2008 (the "FY2008 Management Figures"), together with the audited comparative figures for the year ended 31 March 2007, part of which are restated in conformity with the Hong Kong Financial Reporting Standards, as follows. The FY2008 Management Figures have not yet been agreed with the auditor of the Company, as the Company has been informed by its auditor that their audit to the FY2008 Management Figures has not been completed as at the date of this announcement. The Board will use its endeavours to publish its preliminary announcement of the audited results for the year ended 31 March 2008 (the "Audited Final Results") which shall have been agreed with the auditor of the Company as soon as possible and in any event on or before 31 July 2008.

The FY2008 Management Figures have been reviewed by the Company's audit committee without disagreement.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	3	**165,079**	158,763
Cost of sales		**(113,004)**	(109,996)
Gross profit		**52,075**	48,767
Other income		**9,111**	10,513
Selling and distribution expenses		**(16,324)**	(14,436)
Administrative expenses		**(35,295)**	(26,656)
Impairment on intangible assets		**(1,600)**	—
Impairment on trade receivables		**(5,410)**	(8,688)
Profit from operations		**2,557**	9,500
Finance costs		**(164)**	(197)
Profit before tax		**2,393**	9,303
Income tax expense	4	**(15,728)**	(369)
(Loss)/Profit for the year	5	**(13,335)**	8,934
Attributable to:			
Equity holders of the Company		**(11,735)**	9,336
Minority interests		**(1,600)**	(402)
		(13,335)	8,934
Dividends	6	**—**	—
		HK cents	*HK cents*
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company	7		
Basic		**(0.51)**	0.41
Diluted		**N/A**	N/A

All of the Group's activities are classified as continuing.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment		**53,854**	55,384
Prepaid land lease payments		**14,251**	13,977
Intangible assets		**285,782**	287,722
		353,887	357,083
Current assets			
Inventories		**18,639**	12,453
Trade receivables	*8*	**97,948**	98,571
Deposits, prepayments and other receivables		**58,697**	55,372
Amounts due from minority shareholders		**8**	8
Pledged bank deposits		**18,160**	7,532
Bank and cash balances		**72,234**	78,969
		265,686	252,905
Current liabilities			
Trade and bills payables	*9*	**13,023**	9,657
Accruals and other payables		**44,513**	26,911
Interest-bearing borrowings — secured		**—**	19,542
Amount due to a director		**—**	3,257
Amount due to a minority shareholder		**32,404**	32,404
Current tax liabilities		**16,654**	1,631
		106,594	93,402
Net current assets		**159,092**	159,503
Total assets less current liabilities		**512,979**	516,586
Non-current liabilities			
Deferred tax liabilities		**102**	102
NET ASSETS		**512,877**	516,484

	2008	2007
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**22,900**	22,900
Reserves	**274,020**	276,019
Equity attributable to equity holders of the Company	**296,920**	298,919
Minority interests	**215,957**	217,565
TOTAL EQUITY	**512,877**	516,484

Notes:

1. BASIS OF PREPARATION

The FY2008 Management Figures have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The FY2008 Management Figures have been prepared under the historical cost convention. The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 April 2007. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its result of operations and financial position.

3. TURNOVER AND 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 expenditure are located in the PRC.

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

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

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

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

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

Business segments (unaudited)

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

	Manufacturing		Trading		Gene development		Oral insulin		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)						(Restated)
Segment revenue										
Sales to external customers	**42,049**	43,275	**123,030**	115,488	**—**	—	**—**	—	**165,079**	158,763
Segment results	**(5,600)**	1,121	**15,773**	17,175	**(186)**	(232)	**(1,621)**	(213)	**8,366**	17,851
Interest income									**2,841**	1,789
Net unallocated expenses									**(8,650)**	(10,140)
Profit from operations									**2,557**	9,500
Finance costs									**(164)**	(197)
Profit before tax									**2,393**	9,303
Income tax expense									**(15,728)**	(369)
(Loss)/Profit for the year									**(13,335)**	8,934
Segment assets	**145,063**	131,920	**122,977**	138,669	**5**	6	**285,985**	285,988	**554,030**	556,583
Unallocated assets									**65,543**	53,405
Total assets									**619,573**	609,988
Segment liabilities	**13,243**	9,572	**54,906**	46,301	**106**	67	**1,185**	827	**69,440**	56,767
Unallocated liabilities									**37,256**	36,737
Total liabilities									**106,696**	93,504
Other segment information:										
Capital expenditure	**177**	671	**76**	71	**—**	—	**—**	—	**253**	742
Unallocated capital expenditure									**45**	39
									298	781
Depreciation and amortisation	**5,015**	5,028	**486**	513	**—**	—	**—**	—	**5,501**	5,541
Unallocated depreciation and amortisation									**224**	221
									5,725	5,762
Other non-cash expenses, other than depreciation and amortisation:										
Impairment on intangible assets	**1,600**	—	**—**	—	**—**	—	**—**	—	**1,600**	—
Impairment on trade receivables	**5,250**	8,390	**160**	298	**—**	—	**—**	—	**5,410**	8,688
Allowance for obsolete inventories	**510**	368	**—**	—	**—**	—	**—**	—	**510**	368
Write off of property, plant and equipment	**273**	—	**67**	—	**—**	—	**—**	—	**340**	—

4. INCOME TAX EXPENSE (UNAUDITED)

	2008	2007
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**120**	120
Under/(Over)-provision in prior years	**83**	(299)
Current tax — Tax other than Hong Kong Profits Tax		
Provision for the year	**15,525**	548
	15,728	369

Hong Kong Profits Tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits for the year ended 31 March 2008. 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 PRC tax law, enterprises established or operated in the PRC are subject to Corporate Income Tax at a rate of 30% plus a local income tax of 3% before 2008. However, since the Company's two subsidiaries established in the PRC are operating in specific development zones in the PRC, the relevant tax authorities have granted a preferential Corporate Income Tax rate of 15% plus a local income tax rate of 3% to the subsidiaries established in the PRC.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "New Tax Law") which has taken effect since 1 January 2008. In December 2007, the Implementation Rules of the Corporate Income Tax Law of the PRC and Guo Fa [2007] No. 39 were promulgated to specify certain implementation details and grandfathering arrangements of the New Tax Law. As a result of the New Tax Law, the Company's subsidiaries in the PRC are subject to a unified tax rate of 25% starting from 1 January 2008.

Pursuant to the New Tax Law passed on 16 March 2007, a 10% withholding tax will be levied on dividends declared to foreign investors by the PRC enterprises effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the Ministry of Finance and State Administration of Taxation to specify that dividends declared and remitted out of the PRC after 31 December 2007 from the retained earnings accumulated before 1 January 2008 are exempted from the withholding tax. No provision of deferred tax liabilities in relation to the withholding tax has been made as the directors regard that the relevant liabilities as at 31 March 2008 is minimal.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the statutory tax rate for the jurisdiction in which the Company and its subsidiaries domiciled is as follows:

	2008	2007
	HK$'000	*HK$'000*
Profit before tax	**2,393**	9,303
Tax at the statutory tax rates applicable to the respective tax jurisdictions	**2,050**	(1,772)
Preferential statutory rate offered	**58**	408
Tax effect on expenses not deductible	**13,797**	4,634
Tax effect on income not taxable	**(272)**	(2,901)
Tax effect of temporary differences not recognised	**5**	—
Under-provision in prior years	**83**	—
Over-provision in current year	**7**	—
Income tax expense	**15,728**	369

5. (LOSS)/PROFIT FOR THE YEAR (UNAUDITED)

The Group's (loss)/profit for the year has been arrived at after charging:

	2008	2007
	HK$'000	*HK$'000*
Allowance for obsolete inventories (included in cost of inventories sold)	**510**	368
Amortisation of intangible assets (included in administrative expenses)	**554**	751
Auditor's remuneration	**2,022**	630
Cost of inventories sold	**113,004**	109,996
Depreciation of property, plant and equipment	**4,681**	4,539
Exchange loss	**448**	—
Loss on disposal of property, plant and equipment	**—**	42
Operating lease charges in respect of land and buildings	**2,178**	2,141
Research and development costs	**130**	185
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**28,522**	26,922
Retirement benefits scheme contributions	**1,939**	1,367
	30,461	28,289
Write off of property, plant and equipment	**340**	—

Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately HK$6,544,000 (2007: HK$5,985,000) which are included in the amounts disclosed separately above.

6. DIVIDENDS (UNAUDITED)

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2008 (2007: HK$Nil).

7. (LOSS)/EARNINGS PER SHARE FOR (LOSS)/PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY (UNAUDITED)

The calculation of the basic (loss)/earnings per share is based on the loss attributable to the Company's equity holders of approximately HK$11,735,000 (2007: profit attributable to the Company's equity holders of approximately HK$9,336,000) and on 2,290,000,000 (2007: 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 2008 and 2007 and accordingly, no diluted (loss)/earnings per share have been presented.

8. TRADE RECEIVABLES (UNAUDITED)

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

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
Within 90 days	**62,938**	54,955
Between 91 to 180 days	**21,904**	31,164
Between 181 to 365 days	**12,387**	11,945
Between 1 to 2 years	**179**	—
Over 2 years	**540**	507
	97,948	98,571

Notes:

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

(b) The movements for impairment loss of trade receivables are as follows:

	2008	2007
	HK$'000	*HK$'000*
At beginning of year	**16,697**	14,759
Exchange alignments	**1,085**	795
Impairment loss recognised in respect of trade receivables	**5,410**	8,688
Reversal of impairment losses on trade receivables	**(5,761)**	(7,545)
At end of year	**17,431**	16,697

(c) As of 31 March 2008, trade receivables of approximately HK$5,570,000 (2007: HK$7,665,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis, based on number of overdue days of these trade receivables, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 90 days	**4,747**	6,500
Between 91 to 180 days	**50**	558
Between 181 to 365 days	**233**	100
Over 1 year	**540**	507
	5,570	7,665

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

9. TRADE AND BILLS PAYABLES (UNAUDITED)

At 31 March 2008, the ageing analysis of the trade and bills payables, based on the dates of receipt of goods, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 90 days	**6,788**	6,916
Between 91 to 180 days	**6,228**	2,481
Between 181 to 365 days	**—**	253
Between 1 to 2 years	**2**	7
Over 2 years	**5**	—
	13,023	9,657

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

	2008	2007
	HK$'000	*HK$'000*
Renminbi	**1,803**	1,682
United States dollars	**11,220**	6,387
Euro	**—**	1,588
	13,023	9,657

EXPECTED AUDITOR'S OPINION

We expect that the auditor's report on the Company's financial statements for the year ended 31 March 2008 is likely to be qualified in respect of:

1. the recoverability of the carrying values of a technical know-how amounted to HK$284,260,000 as at 31 March 2008 (2007: HK$284,260,000) in relation to an oral insulin product (the "Product") and exclusive right for the commercialization of the Product owned by the Group, which was included in the intangible assets; and

2. the recoverability of a receivable with carrying amount of approximately HK$31,780,000 (2007: HK$31,780,000) ("Receivable") owed by the vendors of 51% of Smart Ascent Limited, which were acquired by the Group from the vendors during the year ended 31 March 2005, to the Group included in other receivables.

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

A. Business Review

Overall Performance

The macro economic environment for the health care sector in the People's Republic of China (the "PRC") is in its expansion arms. However, in recent years, the PRC government has introduced a number of regulatory measures in the medical and pharmaceutical industries which caused competition and margin squeeze pressure to the Group. Thanks to our devoted marketing teams and loyal customers, we have achieved the turnover of about HK$165.1 million for 2008, marginally increased by approximately 4.0% from that of 2007 about HK$158.8 million.

The gross profit has also slightly increased by 6.8% from about HK$48.8 million for 2007 to about HK$52.1 million for 2008. The increase was due to the Group's costs control measures in our manufactured pharmaceutical sector which has effectively reduced unit costs of production. The profit margin therefore rose from 30.7% in 2007 to 31.6% in 2008.

The Group's higher selling and distribution expenses and administrative expenses have eroded our operating profit for the year ended 31 March 2008, resulted at a profit before tax of approximately HK$2.4 million, a decrease of approximately HK$6.9 million from that of approximately HK$9.3 million for the year ended 31 March 2007.

The Group's loss for the year attributable to shareholders was about HK$11.7 million, representing a decrease of about HK$21.0 million from that of 2007, resulting from considerable income tax provision during 2008.

Turnover and Operating Results

Imported Pharmaceutical Sector

Turnover for the imported pharmaceutical sector increased by 6.5% from about HK$115.5 million last year to about HK$123.0 million this year.

GM-1, which can re-establish functional recovery of central nervous system has remained one of the leading imported pharmaceutical products of the Group. Its major pharmaceutical indication is for vascular or traumatic lesions of central nervous system and Parkinson's disease. With its outstanding reputation and efficacy, it continues to enjoy remarkable market acceptance among medical practitioners. As the percentage of aged persons in the PRC increased, the demand on GM-1 remained high. During the year, Skin-cap Spray, an internationally renowned specialised drug for cases of psoriasis, dandruff, dermatitis, atopic dermatitis, eczema and some tinea, also achieved a significant increment in sales.

The increase in revenue has been offset by the increasing marketing expenses due to keen competition which resulted in a lower segment operating profit in 2008. Segment operating profit of Imported Pharmaceutical Sector was about HK$15.8 million for the year ended 31 March 2008, representing a decline of operating profit by 8.2% comparing with the segment results for the financial year ended 31 March 2007.

Manufactured Pharmaceutical Sector

Our manufactured pharmaceutical sector recorded a total turnover of approximately HK$42.0 million during the year ended 31 March 2008, representing a marginal drop of 3.0% from that of approximately HK$43.3 million for the year ended 31 March 2007.

The recent regulatory controls over the medical industry which direct all nation hospitals to make purchases through open tenders posed significant challenges over the sales and marketing functions of the Group. Turnover of the Group was, therefore unavoidably affected. During the year, significant resources has been placed in our marketing and promotional activities in order to meet such challenges. Coupled with the increasing staff costs, the segment operating result of the Manufactured Pharmaceutical Sector recorded a loss of about HK$5.6 million this year, representing a decrease of about HK$6.7 million over segmental operating profit of about HK$1.1 million last year.

Gene Development Sector

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

Oral Insulin Sector

As we have not yet obtained the new medicine certificate, no revenue was generated in this sector during this year.

Selling and Distribution Expenses

During the recent years, the PRC government has introduced a number of new regulatory policies on the medical and pharmaceutical industries that brought challenges on the existing marketing and distributing strategies of the Group. The Group is continuously exploring new sales channels and target markets. As a result, the marketing and distribution costs increased from about HK$14.4 million in 2007 to about HK$16.3 million in 2008. The increase was mainly due to increase in advertising costs and symposium expenses of approximately HK$1.9 million in total.

Administrative Expenses

Administrative expenses of the Group increased during the year from about HK$26.7 million in 2007 to about HK$35.3 million in 2008 by approximately 32.2%.

During the year, the Group announced the acquisition of 49% in Smart Ascent Limited ("SAL"). Together with the 51% in SAL acquired in 2004, SAL will become a wholly owned subsidiary of the Company. Significant one-off legal and professional fees of around HK$5.0 million were incurred in order to deal with comments raised from The Stock Exchange of Hong Kong Limited in relation to these acquisitions of SAL and the Group's review of the internal controls.

Other Income and Impairment on Trade Receivables

Other income decreased by about HK$1.4 million from about HK$10.5 million last year to about HK$9.1 million this year. Other revenue mainly comprised reversal of impairment losses and interest income. It was due to a decrease in reversal of impairment losses by about HK$2.8 million comparing that of 2008 with 2007.

At the same time, impairment loss relating to trade receivables also decreased by about HK$3.3 million from about HK$8.7 million in 2007 to about HK$5.4 million in 2008. The decrease was due to tight control over the trade receivables which shortened the debtor collection period.

Taxation

Taxation was provided based on the assessable profits of the Group using the existing tax rates. In 2008, there are new implementation rules against existing income tax regulations. Though there are no significant changes in the operations of the Group as compared with prior years, the Group, with the advices from tax experts, have prudently made additional provisions to migrate risks against uncertainties in applying the prevailing tax regulations.

B. Outlook and New Products Development

Progress of Development of Oral Insulin

Oral Insulin will remain as one of our business focus in the coming year. Further clinical trial is being proceeded. The production plant is under construction following the progress of the medicine. We take a positive and optimistic view on its future.

New Products under Negotiation

We are performing market evaluation on the following products:

a. Epigen, an anti-viral product which is used for herpes infections.

b. Skin-cap Cream — It can be used in combination with our existing Skin-cap Spray resulting in a better therapeutic effect.

c. Certain Ophthalmic products including (1) lubricant eye drops for dryness, burning and ocular flatigue, (2) viscoelastic solution for use as a surgical aid in surgery of the anterior and posterior segments of the eye, and (3) Viscous masking and wetting solution in excimer laser surgery and other surgical procedures.

All these products are provided by our existing suppliers. If market evaluation are positive, we may launch these products in the China market.

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 flows and banking facilities. As at 31 March 2008, the Group had total cash and bank balances (including pledged bank deposits) of about HK$90.4 million (2007: HK$86.5 million).

The Group had repaid all bank borrowings as at 31 March 2008 (2007 (restated): HK$19.5 million repayable within one year or on demand). The Group's banking facilities were supported by the pledge of the Group's fixed deposits of about HK$18.2 million (2007: HK$7.5 million) and corporate guarantees from the Company and certain subsidiaries of the Company. As at 31 March 2008, the Group has unutilized banking facilities amounted to approximately HK$29.5 million (2007: HK$28.1 million). All of the Group's borrowings are denominated in United States dollars at effective interest rates ranging from 6.65% to 8.25% per annum. The borrowings are arranged at floating interest rate. There is no seasonality in borrowing requirements of the Group.

The Group's total borrowing over total assets ratio as at 31 March 2008 was 0.05 (2007 (restated): 0.09), calculated based on the Group's total debts of about HK$32.4 million (2007 (restated): HK$55.2 million), comprising amount of due to a minority shareholder of about HK$32.4 million (2007 (restated): bank borrowings of HK$19.5 million, amount due to a director of HK$3.3 million and amount of due to a minority shareholder of HK$32.4 million) over the Group's total assets of about HK$619.6 million (2007 (restated): HK$610.0 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 except for United States dollars as Hong Kong dollars and Renminbi are the functional currencies of the Company and its subsidiaries. The exchange rates of these currencies were relatively stable throughout the year.

D. Employment and Remuneration Policy

As at 31 March 2008, the Group had 387 employees (2007: 377). Staff costs including directors' emoluments for the year ended 31 March 2008 amounted to approximately HK$30.5 million (2007: approximately HK$28.3 million). The increase in staff costs was due to increase of headcount and also retirement benefit costs during this year. 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 includes 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 calibre professionals, executives and employees who are instrumental to the growth of the Group.

No share option has been granted under the Scheme.

CORPORATE GOVERNANCE REPORT

The Group recognise 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 2008, 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 provision A1.3 stipulates that 14-days notice should be given for each board meeting. The Company agrees that sufficient time should be given to the directors of the Company (the "Directors") in order to make a proper decision. For all other board meetings, reasonable notice should be given. In addition, Code provision A6.1 stipulates that in respect of regular board 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).. In these respects, the Company adopts a more feasible approach (and yet sufficient time has been given) in convening board meetings and the provision of meeting materials to ensure efficient and prompt informed 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 proportion of Directors in continuity which is to the best interest of the Company's shareholders.

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.

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.

AUDIT COMMITTEE

The Company has established an Audit Committee (the "Committee"), with written terms of reference, in compliance with Rules 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Committee comprises three independent non-executive directors. The Group's financial statements for the year ended 31 March 2008 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.

Shareholders of the Company and potential investors are reminded to exercise extreme caution in relation to the unaudited consolidated results above, as they are unaudited figures only and may be different from the Audited Final Results.

Pursuant to Rule 13.49(3)(ii)(b) of the Listing Rules, if the Audited Final Results differ materially from the unaudited consolidated results above, full particulars of, and reasons for, the difference must be set out in the preliminary announcement of the Audited Final Results.

GENERAL

The Board confirms that if there are circumstances arising from the audit of the Group or financial statements which constitute price sensitive information, an announcement will be made in accordance with the applicable provisions of the Listing Rules.

Each of the Directors confirms that he has not been dealing in any shares of the Company since 28 June 2008.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Extrawell Pharmaceutical Holdings Limited
XIE Yi
Director

List of Directors as at the date of this announcement:

Executive Directors:
Dr. MAO Yu Min
Mr. HO Chin Hou
Mr. HO Yu Ling
Mr. LI Qiang
Dr. XIE Yi

Independent Non-executive Directors and Audit Committee:
Mr. FANG Lin Hu
Mr. XUE Jing Lun
Ms. JIN Song

Hong Kong, 28 July 2008

* *For identification only*