2013
ANNUAL REPORT

Extrawell Pharmaceutical Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 858

Contents

Corporate Information

Board of Directors

Executive Directors

Dr. MAO Yumin *(Chairman)*
Dr. XIE Yi *(Chief Executive Officer)*
Dr. LOU Yi
Ms. WONG Sau Kuen

Independent Non-executive Directors

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

Audit Committee

Mr. FANG Lin Hu *(Chairman)*
Mr. XUE Jing Lun
Ms. JIN Song

Remuneration Committee

Mr. FANG Lin Hu *(Chairman)*
Mr. XUE Jing Lun
Ms. JIN Song
Dr. XIE Yi

Nomination Committee

Dr. MAO Yumin *(Chairman)*
Mr. FANG Lin Hu
Mr. XUE Jing Lun
Ms. JIN Song

Company Secretary

Mr. LIU Kwok Wah

Hong Kong Legal Advisers

Chiu & Partners Solicitors

Independent Auditors

East Asia Sentinel Limited
Certified Public Accountants

Corporate Information

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 Securities Services (Bermuda) Limited
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

Website

http://www.extrawell.com.hk

Stock Code

The Stock Exchange of Hong Kong Limited: 00858

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 2013.

During the year under review, the Group achieved a steady performance in its core businesses. Profit attributable to equity holders of the Company amounted to approximately HK$10.9 million.

Chairman's Statement

Despite global uncertainties and China's slow economic growth resulting from external destabilising forces in the year, the pharmaceutical industry in the Mainland maintained its sustainable growth driven by rigid demand escalating from the nation's continuing urbanisation, people's rising disposable income and more concerns over health and life of quality. The ongoing healthcare reform supported by the government's continuous investments and a series of policies under the Twelfth Five-Year Plan further brings impetus to the systematic transformation of the pharmaceutical industry and at the same time leads to intensification of competition among pharmaceutical enterprises.

With the concerted effort of the Group's dedicated team, the Group has been persistently streamlining its business operations to reduce costs and enhance operational efficiency, in order to strengthen its revenue base in the ever-changing competitive landscape. On the other hand, the Group has leveraged the opportunities of plant relocation and manufacturing capabilities advancement to enrich its product mix through research and development and would consolidate the resources of its manufacturing operations in Changchun, to foster long-term development and growth of the Group.

The Group's oral insulin project has seen promising move during the year as the Group has completed the multi-centered, randomised, double-blinded and placebo-controlled clinical trial of oral insulin on treatment of type 2 diabetes with satisfactory results and the project team is stepping up efforts in organising the extended clinical trial with more extensive sampling in the Mainland. In view of the tremendous growth of diabetic population in the Mainland, the Group expects an enormous market for the oral insulin after its successful launch which will justify the Group's investment and enhance its corporate value. As such, the Group reached agreement with the minority shareholder of Smart Ascent Limited to buy out his minority interest in Smart Ascent Limited for the benefit of the Group and would allocate its best resources to accelerate progress of the oral insulin project to capture the enormous market opportunities arising from the growing number of diabetics in the Mainland.

Confronting with the challenges ahead, while the Group would strive to operate its existing businesses to maintain steady cash flows, the Group will continue to prudently seize business opportunities alongside new challenges for future growth.

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

Dr. Mao Yumin
Chairman

Hong Kong, 28 June 2013

Business Review

Overall Performance

In the year under review, China's economic growth slowed from 9.3% in 2011 to 7.8% in 2012 as a result of decline in external demand resulting from prolonged sovereign debt crisis in the Eurozone and feeble recovery in the US economy. Despite such uncertain global economic environment, the PRC pharmaceutical industry continued to grow by riding on the extensive healthcare reforms under the Twelfth Five-Year Plan (2011–2015) which include further strengthening the delivery of medical care and the public health infrastructure, providing accessible health insurance, and ensuring a sound system for drug supply and security. The Twelfth Five-Year Plan reflects the central government's continued commitment in healthcare reform, focusing healthcare as a social priority and providing more support for technology innovation in the pharmaceutical industry. The reform efforts thus far have brought about progress toward giving the nation's citizens access to basic medical services, with increased parity between urban and rural residents. While permitting market space to meet additional demands, regulatory policies and measures to pharmaceutical enterprises are reinforcing which tend to pose cost and price pressures, intensifying market competition and leading to acceleration of integration within the industry. In response to the challenging market situation, the Group had persistently adopted its policies in continuously optimising operational efficiencies through streamlining the business operations and flexibly adjusting its marketing and distribution strategies to achieve performance.

The Group maintained its turnover and gross profit at about HK$151.1 million and HK$46.7 million respectively, representing a slight decrease of about 4.0% and 1.6% as compared with that of last financial year. These were mainly the results of the Group's effort on brand building in rural markets which potential demand existed for the Group's manufactured pharmaceuticals and unwinking disciplines over product costs. Excluding the non-recurring item of reclassification of exchange differences from translation reserve of about HK$8.4 million of last financial year, and after taking into account the share of loss of an associate of about HK$3.1 million due to its business start-up costs and a write-back of provision of direct expenses attributable to sales of about HK$4.0 million included in other revenue, the Group's core operations maintained stable performance during the year under review.

The Group's profit for the year attributable to the equity holders of the Company was about HK$10.9 million, representing a decrease of about HK$9.5 million as compared to profit of about HK$20.4 million (comprising a non-recurring item of reclassification of exchange differences from translation reserve of about HK$8.4 million).

Turnover and Operating Results

Imported Pharmaceutical Sector

Turnover decreased by about 15.2% from about HK$105.7 million last year to about HK$89.6 million this year mainly due to sales mix and price adjustment on products for customers under the adjusted distribution model.

Despite the aforesaid, after consolidation of distribution channels during the year, the Group will be in better position to monitor credit control over the trade receivables and minimise operating costs. Segment results decreased from about HK$25.1 million in 2012 to about HK$19.3 million in 2013. However, when taking into account the non-recurring item of reclassification of exchange differences from translation reserve of about HK$8.4 million of last financial year and other revenue relating to a write-back of provision of direct expenses attributable to sales of about HK$4.0 million this financial year, the segment results decreased slightly from about HK$16.7 million to about HK$15.3 million, representing a decrease of about HK$1.4 million comprising increase in costs and expenses incurred in product license renewal of about HK$0.4 million during the year under review.

The Group would take positive approach in responding quickly to dynamic market by adopting flexibly strategies and initiatives as appropriate to develop the business and strive for better business performance.

Business Review (Continued)

Turnover and Operating Results (Continued)

Manufactured Pharmaceutical Sector

Sales of manufactured pharmaceutical products increased to about HK$61.4 million, an increase of approximately 18.9% when compared to about HK$51.7 million in 2012. The increase was mainly due to growth in demand of end-user terminal market which comprises hospitals and retail pharmacies.

During the year under review, in the face of severe challenges against the backdrop of competitive market situation and rising operating costs, management actively adopted brand building strategy by deploying more resources in organising marketing and promotional activities so as to firmly grasp the market share in the expanding rural markets. The strategy was proved successful with increase in sales of the Group's two product lines (specialised in improving the immunity system of human body against infectious diseases and for treating iron deficiency anemia) and improved gross margin which balanced off the rising operating costs. As a result, segment profit improved to about HK$2.5 million, an increase of about 22.3% as compared to about HK$2.1 million in 2012.

While the Group would strategically extend its sales network in the rural markets, the Group would leverage the opportunities of plant relocation and production facilities advancement to enrich its product mix through research and development and would consolidate resources of its manufacturing operations in Changchun so as to enhance operating efficiency and facilitate future development by internally generated resources.

Gene Development Sector

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

Oral Insulin Sector

The clinical trial is still in progress. There was no revenue generated in the sector. The decrease in loss was due to lesser research and development expenses incurred during the year.

Selling and Distribution Expenses

Selling and distribution expenses of the Group decreased from about HK$10.4 million in 2012 to about HK$9.5 million in 2013, representing a decrease of about HK$0.9 million or 8.8%. The decrease was the result of reduction in logistics costs and associated expenses of the imported pharmaceuticals operating under the adjusted distribution model, ongoing cost and credit control measures by manufacturing operations for entertainment, travelling and impairment expenditure which balanced off the increase in spending on symposium, medical meeting and promotion expenses to drive sales growth and to secure market share.

Administrative Expenses

Administrative expenses of the Group amounted to about HK$27.9 million which included the professional fee provided for the acquisition of minority interest in Smart Ascent Limited of about HK$1.1 million and costs and associated expenses incurred in product license renewal of about HK$0.4 million, representing an increase of 2.4% from about HK$27.2 million in 2012.

Business Review (continued)

Research and Development Expenses

Decrease in research and development expenses from about HK$4.9 million in 2012 to about HK$3.3 million in 2013 was mainly attributable to less expense recognised in relation to the clinical trial of oral insulin.

Other Revenues

Other revenues increased from about HK$3.6 million in 2012 to about HK$5.9 million in 2013. This was mainly due to a write-back of provision of about HK$4.0 million for direct expenses attributable to sales as it was no longer required under the adjusted distribution model of the trading business, and such write-back was partially offset by the decrease of foreign exchange gain.

Outlook

Amid uncertainties over the global economic recovery, China's economic growth tends to slow but sees to adjust and transform on a more sustainable growth path. The continuous increase of investment by the central government in deepening the healthcare reforms and the accelerated demand in urban and rural areas will give momentum to the development and expansion of the PRC pharmaceutical market.

Chronic conditions such as diabetes and hypertension are proliferating rapidly in the PRC given the aging population, accelerating urbanisation coupled with unhealthy diets and sedentary lifestyles in recent years. The Group's oral insulin project has seen promising move during the year as the Group has completed the multi-centered, randomised, double-blinded and placebo-controlled clinical trial of oral insulin on treatment of type 2 diabetes with satisfactory results and the project team is stepping up efforts in organising the extended clinical trial with more extensive sampling in the PRC. Promoting the success of the oral insulin project will still be given high priority in the years to come so that the Group could capture the enormous market opportunities arising from the growing number of diabetics in the PRC.

The construction of new production facilities in Changchun has been progressing for the plant relocation by end of this year. It is a turning point for the Group to enhance its core competitiveness of its manufacturing segment by upgrading its production capacity and enhancing its operational efficiency for its long-term growth and development.

Meanwhile, the Group will continue to put efforts in product research and development and exploit new products through collaborative relations with international enterprises to sustain long-term development and growth of the Group.

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 2013, the Group had total cash and bank balances (including pledged bank deposits) of about HK$156.2 million (2012: HK$159.7 million), representing a decrease by approximately 2.2%.

The Group did not have bank borrowings during the year but had banking facilities on trade finance, which were supported by the pledge of the Group's fixed deposits of about HK$19.7 million (2012: HK$19.6 million) and corporate guarantees from the Company and certain subsidiaries of the Company. In general, there is no significant seasonality fluctuation on trade finance requirement of the Group.

The Group's total borrowing over total assets ratio as at 31 March 2013 was 0.09 (2012: 0.09), calculated based on the Group's total assets of about HK$717.6 million (2012: HK$687.8 million) and total debts of about HK$63.2 million (2012: HK$59.4 million), comprising amounts due to non-controlling interests of subsidiaries of about HK$57.2 million (2012: HK$54.6 million) and loan from a non-controlling interest of about HK$6.0 million (2012: HK$4.8 million).

Foreign Exchange Exposure

Save for certain purchases are denominated in Euros, the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and Renminbi. The Group manages the foreign currency exposure by closely monitoring the foreign currency movements and may purchase foreign currencies at spot rate, when and where appropriate for meeting its payment obligation. No hedge on foreign currencies was made during the year but the Group will use financial instruments for hedging purpose when considered appropriate.

Employment and Remuneration Policy

As at 31 March 2013, the Group had 294 employees (2012: 295). Staff costs (including directors' emoluments) for the year ended 31 March 2013 amounted to approximately HK$27.4 million (2012: approximately HK$28.2 million), reflecting cost economies from consolidation of human resources and streamlined business operations.

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 share option scheme as adopted by the Company on 8 August 2002 ("2002 Scheme") expired on 14 August 2012. On its expiration, the shareholders of the Company have approved the adoption of a new share option scheme (the "Scheme") on 24 August 2012. The Scheme became effective on 29 August 2012 after obtaining approval from the Listing Committee of the Stock Exchange and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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.

From the effective date of the Scheme to 31 March 2013, no share option has been granted under the Scheme.

Biographical Details of Directors and Senior Management

Executive Directors

Dr. Mao Yumin Ph.D. (aged 61)

Chairman and Executive Director

Dr. Mao Yumin, Chairman and executive director of the Company, is also the chairman and one of the founders of United Gene Holdings Limited in the PRC. Dr. Mao was a professor of Fudan University, a member of Fudan University Administration Committee, the dean of School of Life Sciences, and the head of Institute of Genetics, Fudan University. Dr. Mao's main area of research focuses on biological and genetic engineering. Dr. Mao has accumulated extensive 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. Mao has also acted as honorary chairman and in capacity of external consultant role as the chief scientific adviser of United Gene High-Tech Group Limited (stock code: 399), a company listed on the Stock Exchange, since September 2010.

Dr. Xie Yi Ph.D. (aged 50)

Executive Director and Chief Executive Officer

Dr. Xie Yi is a professor of School of Life Sciences in Fudan University and is one of the founders of United Gene group of companies in the PRC. Being a scientist with significant breakthroughs in human genome research, Dr. Xie is responsible for research and development and management of United Gene group and is the vice chairman and chief executive officer of United Gene Holdings Limited in the PRC.

Dr. Xie is currently the chief executive officer of the Company responsible for the overall management of the Group. He is also an executive director and chairman of Changchun Extrawell Pharmaceutical Co., Ltd., a 73% owned subsidiary of the Company established in the PRC, and an executive director of certain members of the Group. Dr. Xie has discloseable interests in the Company under the provisions of the SFO.

Dr. Lou Yi Ph.D. (aged 54)

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 the PRC. 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 Yumin and Dr. Xie Yi, both are the directors of the Company.

Ms. Wong Sau Kuen (aged 50)

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 PRC pharmaceutical market. Ms. Wong has extensive experience in areas of business administration and internal control. She is currently the Authorised Representative of the Company.

Biographical Details of Directors and Senior Management (Continued)

Independent Non-executive Directors

Mr. Fang Lin Hu (aged 75)

Independent Non-executive Director

Mr. Fang Lin Hu was a professor in Fudan University, ex-vice chancellor of the Fudan University (overseeing technology industrialisation and utilisation matters), 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, and 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-recognised 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 79)

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 recognised genetic scientist. Mr. Xue was appointed as an independent non-executive director in 2001.

Ms. Jin Song (aged 42)

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 20 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 52)

Head of Research and Development

Dr. Wen Ming joined the Group in 1992. He is responsible for overseeing the regulatory affairs, research & development, and the registration of the Group's products, and the marketing and promotion aspects of the Group's imported pharmaceutical business. Dr. Wen graduated with a bachelor's degree in medical science from the Guangzhou Medical College and obtained a master's 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.

Biographical Details of Directors and Senior Management (Continued)

Senior Management (Continued)

Mr. Chan Lian Bang (aged 58)

General Manager of Changchun Extrawell Pharmaceutical Co., Ltd. ("CEP") and Operations Director of Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd. ("JECP")

Mr. Chan Lian Bang joined the Group in 1992. Mr. Chan is responsible for the overall management and operations of CEP and JECP. 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 51)

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 Group, he had worked for international accounting firms and several listed companies in Hong Kong.

Ms. Wu Hong (aged 41)

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.

A. CORPORATE GOVERNANCE PRACTICES

The Group recognises 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.

The Code on Corporate Governance Practices 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") was revised to, and renamed as, Corporate Governance Code (the "Revised Code") from 1 April 2012. During the year ended 31 March 2013, the Company had adopted and applied the code provisions (the "Code Provisions") of the Revised Code as set out in Appendix 14, except for the deviations as set out below:

Code Provisions A.1.3 and A.7.1 stipulate that 14-day 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.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Company deviates from this 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.

Code Provision A.4.2 stipulates that every director should be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the directors shall retire from office by rotation provided that the Chairman, Deputy Chairman or Managing Director shall not be subject to retirement by rotation. The Company's bye-laws deviate from the Code Provision. The Company considers that the continuity of the Chairman/Deputy Chairman/Managing Director and their leadership are 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.

Code Provision A.4.2 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 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.

Code Provision A.6.7 stipulates that INEDs and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One of the INEDs, Ms. Jin Song was unable to attend the annual general meeting of the Company held on 24 August 2012 due to other business commitments.

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

B. Directors' Securities Transactions

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

C. Board of Directors

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

Executive Directors

Dr. Mao Yumin *(Chairman)*
Dr. Xie Yi *(Chief Executive Officer)*
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/relevant relationship) among the members of the Board.

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The management is delegated with the authority and responsibility by the Board for the day-to-day management of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for the 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 Song has appropriate accounting or related financial management experience as required under Rule 3.10(2) of the Listing Rules.

During the year ended 31 March 2013, seven Board meetings (excluding committee meetings) were held and attendance of each director is set out as follows:

Name of Director	Number of attendance
Dr. Mao Yumin	7/7
Dr. Xie Yi	7/7
Dr. Lou Yi	7/7
Ms. Wong Sau Kuen	7/7
Mr. Fang Lin Hu	7/7
Mr. Xue Jing Lun	6/7
Ms. Jin Song	7/7

C. Board of Directors (continued)

In addition to the Board meetings, a meeting was held between the Chairman and all INEDs without the presence of executive directors during the financial year.

The Company has arranged appropriate directors' and officers' liability insurance for members of the Board and officers in order to protect legal claims against their lawful discharge of duties in relation to the Group's business.

D. Chairman and Chief Executive Officer

Dr. Mao Yumin, the Chairman of the Company, is responsible for the management of the Board and Dr. Xie Yi, the Chief Executive Officer 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 A.4.1, non-executive directors should be appointed for a specific term, subject to re-election and, pursuant to Code Provision A.4.2, every director shall retire by rotation at least once every three years. None of the INEDs of the Company is appointed for a specific term and according to the bye-laws of the Company, one-third of the directors (except for the Chairman) shall retire from office by rotation and become eligible for re-election. The reason for the deviation is that the Company believes that the directors ought to be committed to representing the long-term interest of the Company's shareholders and the rotation methodology ensures a reasonable proportion of directors in continuity which is to the best interest of the Company's shareholders.

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

F. Nomination Committee

The Nomination Committee consists of four members including, Dr. Mao Yumin (Chairman), an executive director and Chairman of the Board, and all INEDs, namely Mr. Fang Lin Hu, Mr. Xue Jing Lun and Ms. Jin Song.

The major role and function of the Nomination Committee are to formulate and implement the policy for nominating candidates for election by shareholders, and to assess the independence of non-executive directors.

The Nomination Committee held one meeting during the year, and all members had attended the meeting to review the structure, size and composition of the Board and to assess the independence of INEDs. In addition, the Nomination Committee recommended Mr. Xue Jing Lun and Ms. Jin Song to stand for re-election by rotation by shareholders at the 2012 Annual General Meeting.

G. Remuneration Committee

The Company has established a Remuneration Committee 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.

In line with good and fair practice, members of the Remuneration Committee consist of the three INEDs, namely Mr. Fang Lin Hu (Chairman), Mr. Xue Jing Lun, Ms. Jin Song, and Dr. Xie Yi.

During the year ended 31 March 2013, two Remuneration Committee meetings were held and attendance of each director is set out as follows:

Name of Director	Number of attendance
Mr. Fang Lin Hu	2/2
Mr. Xue Jing Lun	1/2
Ms. Jin Song	2/2
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 authorised by the shareholders at the annual general meeting according to the directors' respective responsibilities, 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.

Directors' emoluments and the five highest paid individuals for the year ended 31 March 2013 are disclosed in note 11 to the consolidated financial statements. Emoluments of senior management whose profiles are included in the section "Directors and Senior Management Profile" fell within the following band, of which two are included in the note as the five highest paid individuals:

	Number of individuals	
	2013	2012
Emolument band		
HK$Nil to HK$1,000,000	**4**	4

H. Audit Committee

The Company has established an Audit Committee with specific terms of reference that have included the duties which are set out in Code Provision C.3.3 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 2013, three Audit Committee meetings were held and attendance of each director is set out as follows:

Name of Director	**Number of attendance**
Mr. Fang Lin Hu	3/3
Mr. Xue Jing Lun	2/3
Ms. Jin Song	3/3

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. 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 2013 is as follows:

	HK$'000
Audit services	670
Non-audit services	200

J. 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 31 to 33 of this annual report.

K. Internal Control

The Board is responsible for overseeing and ensuring that a sound and effective internal control system is maintained within the Group in order to safeguard the Group's assets and the interests of the Company's shareholders.

The Audit Committee is delegated with authorities to assist the Board to fulfill its oversight role over the Group's internal control system by reviewing and evaluating on a regular basis the effectiveness and adequacy of the Company's financial controls, internal control and risk management systems. During the year ended 31 March 2013, the Audit Committee, after taking into consideration the size of the Group's activities and operations, had adopted a risk-based approach in identifying the scope for review. The Audit Committee and the Board satisfied the result of the review and concluded that the key areas of the Group's internal control systems are reasonably and adequately implemented to their satisfaction.

L. Directors' Continuous Training and Development

Directors are encouraged to participate in continuous professional development in order to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 March 2013, the directors were briefed and updated with written materials on the latest development regarding the Listing Rules and other applicable legal and regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. In addition, the Company had organised an in-house training seminar for the directors, which was conducted by qualified professional covering topics of regulatory development and issues with training materials provided. Directors are also encouraged to attend outside seminars and talks organised by professional bodies to enrich their knowledge in discharging their duties as a director. All directors have participated in continuous professional development by attending training courses and/or referring materials on the topics related to corporate governance and regulations:

Executive Directors	
Dr. Mao Yumin	Self-study of relevant materials
Dr. Xie Yi	Attending in-house training course and self-study
Dr. Lou Yi	Attending in-house training course and self-study
Ms. Wong Sau Kuen	Attending in-house training course and outside seminars/talks conducted by professional bodies and self-study
Independent Non-executive Directors	
Mr. Fang Lin Hu	Attending in-house training course and self-study
Mr. Xue Jing Lun	Attending in-house training course and self-study
Ms. Jin Song	Attending in-house training course and self-study

M. Company Secretary

The Company Secretary is an employee of the Company and has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 March 2013. The biographical details of the Company Secretary are set out on page 12 of this annual report.

N. COMMUNICATION WITH SHAREHOLDERS

The Company believes the value of maintaining open communication with and providing current and relevant information to its shareholders, and uses a number of channels to disseminate information to shareholders through:

(1) website (www. hkexnews.hk) of the Stock Exchange

(2) the Company's website (www.extrawell.com.hk)

(3) corporate information in printed forms such as annual and interim reports, circulars and explanatory materials

(4) annual general meeting

(5) the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited in respect of share registration and related matters

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. Executive directors Dr. Mao Yumin (Chairman), Dr. Xie Yi (Chief Executive Officer), Ms. Wong Sau Kuen and INEDs Mr. Fang Lin Hu and Mr. Xue Jing Lun as well as auditors of the Company East Asia Sentinel Limited attended the 2012 Annual General Meeting, and Dr. Lou Yi, executive director and Ms. Jin Song, INED did not attend the meeting due to their other business commitments.

O. SHAREHOLDERS' RIGHTS

Convening a Special General Meeting

Section 74 of the Companies Act 1981 of Bermuda stipulates that the directors shall, on the requisition of shareholders holding not less than one-tenth of such of the paid-up capital of the Company, forthwith proceed duly to convene a special general meeting of the Company. The requisition must state the purposes of the meeting, and must be signed by the relevant requisitionists and deposited at the registered office of the Company. If the directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Putting forward Proposals at General Meetings

Section 79 of the Companies Act 1981 of Bermuda stipulates that the Company shall, on the requisition in writing by either any number of shareholders representing not less than one-twentieth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company or not less than 100 shareholders, (a) give to shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting, and (b) circulate to these shareholders a written statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

Section 80 of the Companies Act 1981 of Bermuda stipulates that the written requisition as signed by the requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's expenses in giving effect thereto not less than six weeks before the meeting in case of a requisition requiring notice of a resolution and not less than one week before the meeting in case of any other requisition.

O. Shareholders' Rights (continued)

Enquiries to the Board

Shareholders may send their enquiries and suggestions to the Board by mail to the Company's principal place of business at Room 3409–10, 34/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

P. Constitutional Documents

There were no changes in the Company's constitutional documents during the year ended 31 March 2013.

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 referred to as the "Group") for the year ended 31 March 2013.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries and associate are set out in note 20 and note 21 to the financial statements respectively.

Results and Dividend

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on page 34.

The state of affairs of the Group as at 31 March 2013 is set out in the consolidated statement of financial position on page 35.

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 of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 96.

Investment Properties

Details of movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

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

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 33 to the financial statements.

Share Options

On 24 August 2012, the shareholders of the Company approved the adoption of a new share option scheme (the "Scheme"), as the share option scheme adopted by the Company on 8 August 2002 expired on 14 August 2012. The Scheme became effective on 29 August 2012 after obtaining approval from the Listing Committee of the Stock Exchange and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Information about share options and share option scheme of the Company is set out in note 37 to the financial statements.

Distributable Reserves

As at 31 March 2013, the reserves of the Company available for cash distribution and/or distribution in specie amounted to HK$76,703,000 which was computed in accordance with the Bermuda Companies Act. In addition, the Company's share premium account with a balance of HK$133,717,000 as at 31 March 2013 may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

For the year ended 31 March 2013, turnover attributable to the Group's five largest customers accounted for approximately 65% of the Group's turnover, and turnover attributable to the Group's largest customer accounted for approximately 30% of the Group's turnover.

For the year ended 31 March 2013, purchases attributable to the Group's five largest suppliers accounted for approximately 91% of the Group's purchases and purchases attributable to the Group's largest supplier accounted for approximately 47% 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 customers and the suppliers.

Directors

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

Executive directors:

Mao Yumin
Xie Yi
Lou Yi
Wong Sau Kuen

Independent non-executive directors:

Fang Lin Hu
Xue Jing Lun
Jin Song

Directors (continued)

In accordance with the Company's bye-law 111, other than 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 confirmations of independence from Messrs. Fang Lin Hu, Xue Jing Lun and Jin Song pursuant to Rule 3.13 of the Listing Rules and still considers them to be independent.

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 directors with reference to directors' duties, responsibilities and performance and the result of the Group.

Directors' Interests in Contracts

Save as 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 2013, the interests and short positions of the directors in the shares 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:

Long positions in the ordinary shares of the Company

Name of director	Notes	**Capacity and nature of interest**	**Number of ordinary shares of HK$0.01 each held/entitled**	**Approximate percentage of interests held/ entitled**
Mao Yumin	(a)	Through controlled corporations	480,000,000	20.96%
	(b)	Directly beneficially owned	900,600,000	39.33%
			1,380,600,000	60.29%
Xie Yi	(a)	Through controlled corporations	480,000,000	20.96%

Notes:

(a) JNJ Investments Limited ("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 each JNJ Investments and FPL is owned by Biowindow Gene Development (Hong Kong) Limited ("HK Biowindow"), and the entire issued share capital of HK Biowindow is owned by United Gene Group Limited (a company incorporated in the British Virgin Islands) ("United Gene Group").

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 Yumin and Dr. Xie Yi respectively.

(b) In connection with notes (b) and (c) under the section "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares", where details of interest of Dr. Mao Yumin ("Dr. Mao") in respect of the 900,000,000 Conversion Shares (as defined below) under the agreements entered into between Mr. Ong Cheng Heang ("Mr. Ong") and Dr. Mao dated 6 September 2011, 23 February 2013 and 28 February 2013, are disclosed.

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

Long positions in shares of associated corporation

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
Mao Yumin	Smart Ascent Limited ("Smart Ascent")	Company's subsidiary	Ordinary shares	2,450	Directly beneficially owned	24.50%

Note:

Extrawell (BVI) Limited ("EBVI"), a wholly owned subsidiary of the Company and Mr. Ong Cheng Heang ("Mr. Ong") each hold 5,100 and 4,900 issued ordinary shares of HK$1.00 each in Smart Ascent. In connection with note (b) under the section "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares", where details of interest of Dr. Mao Yumin ("Dr. Mao") in 2,450 ordinary shares of Smart Ascent pursuant to the agreements as entered into between Dr. Mao and Mr. Ong on 6 September 2011 and 23 February 2013 are disclosed.

Save as disclosed above, as at 31 March 2013, none of the directors had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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

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

At 31 March 2013, the following interests and short positions of 5% or more of the shares and underlying shares of the Company were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Name of substantial shareholder	Notes	Capacity and nature of interest	Number of shares held/ entitled	Long (L) or Short (S) position	Approximate percentage of interest held
Ease Gold Investments Limited	(a)	Through controlled corporations	480,000,000	L	20.96%
United Gene-BVI	(a)	Through controlled corporations	480,000,000	L	20.96%
United Gene Group	(a)	Through controlled corporations	480,000,000	L	20.96%
HK Biowindow	(a)	Through controlled corporations	480,000,000	L	20.96%
JNJ Investments	(a)	Directly beneficially owned	450,000,000	L	19.65%
Ong Cheng Heang	(b)	Directly beneficially owned	500,000,000	L	21.83%
	(c)		400,000,000	S	17.47%

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 each JNJ Investments and FPL is owned by HK Biowindow, and the issued share capital of HK Biowindow is owned by United Gene Group. 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 Yumin and Dr. Xie Yi respectively.

(b) In connection with the proposed acquisition of the 4,900 ordinary shares in Smart Ascent (the "Acquisition") and pursuant to a conditional sale and purchase agreement entered into between EBVI as purchaser and Mr. Ong as vendor on 27 July 2007 (the "2007 Agreement"), at the consideration of HK$768,900,000, Mr. Ong would be interested in 300,000,000 shares (the "Consideration Shares") which are the new shares of the Company to be allotted and issued, at the issue price of HK$2.563 per Consideration Share to Mr. Ong upon completion of the 2007 Agreement.

On 23 February 2013, EBVI and Mr. Ong entered into a supplemental agreement (the "Supplemental Agreement") to amend certain terms and conditions of the 2007 Agreement, among others, the consideration be revised to HK$660,000,000 and payment for the consideration be satisfied by HK$18,700,000 in cash, and by the Company issuing zero-coupon convertible bonds (the "Bonds") with principal amount in aggregate of HK$641,300,000, at the initial conversion price of HK$0.6413 each, which upon exercise of the conversion rights attached to the Bonds in full, 1,000,000,000 new shares (the "Conversion Shares") of the Company will be issued.

As disclosed in the Company's voluntary announcement dated 7 September 2011, a conditional sale and purchase agreement was entered into between Mr. Ong as vendor and Dr. Mao as purchaser on 6 September 2011 (the "SP Agreement") in connection with the sale and purchase of the 150,000,000 Consideration Shares where the 2007 Agreement shall be completed in accordance with its terms or, as the case may be, the 24.5% interest in the share capital of Smart Ascent where the 2007 Agreement shall lapse or otherwise be terminated in accordance with its terms.

Given that EBVI and Mr. Ong had subsequently agreed to amend the consideration payable by EBVI under the 2007 Agreement and cash consideration and Bonds (in lieu of Consideration Shares) shall be payable by EBVI, on 23 February 2013, Mr. Ong and Dr. Mao entered into a supplemental agreement to amend the SP Agreement to reflect the changes that the 150,000,000 Consideration Shares be revised to the Bonds with principal amount of HK$320,650,000, which upon exercise of the conversion rights attached to the Bonds, would amount to 500,000,000 Conversion Shares , and cash settlement of HK$9,350,000.

Further details regarding the Acquisition are disclosed in the Company's announcement dated 27 February 2013, and the circular dated 18 June 2013. The special general meeting to approve the Acquisition has not been held at the date of approval of these financial statements.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares (Continued)

Notes: (Continued)

(c) As disclosed in the Company's voluntary announcement dated 1 March 2013, on 28 February 2013, Mr. Ong and Dr. Mao entered into a subscription agreement in relation to a call option granted by Mr. Ong to Dr. Mao pursuant to which Dr. Mao shall have the right, within 12 months after the date of receipt by Mr. Ong of his interests in the Bonds, to acquire from Mr. Ong the Bonds up to the principal amount of HK$256,520,000, which upon exercise of the conversion rights attached to the Bonds, would amount to 400,000,000 Conversion Shares.

Save as disclosed above, as at 31 March 2013, 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

The following connected and related party transactions were recorded during the year and up to the date of this annual report:

(a) Acquisition of 49% minority interest in Smart Ascent Limited ("Smart Ascent")

The Group via its wholly owned subsidiary Extrawell (BVI) Limited ("EBVI") owns 51% interest in Smart Ascent which is the holding company of the Group's oral insulin operations, and the remaining 49% of which is owned by Mr. Ong Cheng Heang ("Mr. Ong").

In connection with the proposed acquisition of the 4,900 ordinary shares in Smart Ascent (the "Acquisition") and pursuant to a conditional sale and purchase agreement entered into between EBVI as purchaser and Mr. Ong as vendor on 27 July 2007 (the "2007 Agreement"), at the consideration of HK$768,900,000, 300,000,000 new shares of the Company (the "Consideration Shares") would be allotted and issued to Mr. Ong upon completion of the 2007 Agreement.

On 23 February 2013, EBVI and Mr. Ong entered into a supplemental agreement (the "Supplemental Agreement") to amend certain terms and conditions of the 2007 Agreement, in particular, the consideration has been revised to HK$660,000,000 which will be satisfied by (i) cash payment of HK$18,700,000 and (ii) the Company issuing zero-coupon convertible bonds as to the principal amount of HK$641,300,000, at the conversion price of HK$0.6413 each, if fully converted, 1,000,000,000 new shares of the Company (the "Conversion Shares") will be issued.

The Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and as Mr. Ong is a substantial shareholder of a subsidiary of the Company by virtue of his interest in Smart Ascent, and Dr. Mao is also interested in the Acquisition by virtue of his transaction under the Sub-sale Agreement with Mr. Ong, the Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further details regarding the Acquisition are disclosed in the Company's announcement dated 27 February 2013, and the circular dated 18 June 2013. The special general meeting to approve the Acquisition has not been held at the date of approval of these consolidated financial statements.

Connected and Related Party Transactions (continued)

(b) Advances made to Smart Ascent

EBVI has made advances to Smart Ascent since its acquisition of 51% equity interest in March 2004. The advances are unsecured, non-interest-bearing and repayable on demand. As at 31 March 2013, the outstanding balance of these advances was approximately HK$16,194,000 (31 March 2012: approximately HK$14,381,000).

(c) Provision of financial assistance to Fordnew Industrial Limited ("Fordnew")

On 25 May 2011, Smart Ascent has conditionally agreed to grant an unsecured, non-interest-bearing loan in the aggregate amount of up to HK$30 million to Fordnew for its onward lending to Fosse Bio-Engineering Development Limited ("Fosse Bio"), a 51% owned subsidiary of Smart Ascent, for payment of expenses relating to clinical trial of oral insulin products. The provision of a loan by Smart Ascent to Fordnew constitutes a connected transaction under the Listing Rules as Fordnew is a substantial shareholder holding 29% equity interest in Fosse Bio. Pursuant to a special general meeting of the Company held on 19 July 2011, an ordinary resolution was passed by independent shareholders of the Company to approve the loan.

On 6 August 2012, Fordnew made a drawdown notice for the sum of approximately HK$1,191,000 to Smart Ascent so that it could on-lend the sum to Fosse Bio for making progress payment to the project administrator in connection with the service contract for the clinical trial. The drawdown of HK$1,191,000 was funded by shareholders EBVI and Mr. Ong based on their respective equity interests of 51% and 49% in Smart Ascent.

(d) Investments in an associate — 龍脈(上海)健康管理服務有限公司 ("Shanghai Longmark")

On 13 January 2012, Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd. ("Jilin Extrawell"), a wholly-owned subsidiary of the Company entered into an agreement with Shanghai Longmark and United Gene HealthCare Limited, Shanghai ("Shanghai United Gene") pursuant to which Jilin Extrawell has agreed to subscribe for RMB2,500,000 of the registered capital of Shanghai Longmark by way of capital injection (the "Subscription").

The Subscription was completed on 10 April 2012, and the registered capital of Shanghai Longmark was enlarged to RMB12,500,000 and owned as to 20% by Jilin Extrawell and 80% by Shanghai United Gene. Shanghai United Gene subsequently transferred its 80% equity interest in Shanghai Longmark to 東龍脈(上海)健康管理服務有限公司 ("東龍脈") on 20 December 2012. Shanghai United Gene and 東龍脈 are both indirect wholly-owned subsidiaries of United Gene High-Tech Group Limited (the "UG Listco"), the shares of which are listed on The Stock Exchange of Hong Kong Limited.

The Subscription constitutes a connected transaction of the Company by virtue of Dr. Mao's interests in the UG Listco, and details of the Subscription are set out in the Company's announcement dated 13 January 2012.

On 25 April 2013, Jilin Extrawell entered into an agreement with 東龍脈 and Dr. Xie Yi ("Dr. Xie"), in which Dr. Xie agreed to subscribe RMB7,490,000 for the registered capital of Shanghai Longmark by way of capital injection (the "New Subscription"). Upon completion, the registered capital of Shanghai Longmark will be increased from RMB12,500,000 to RMB19,990,000, and the respective shareholding of Jilin Extrawell, 東龍脈 and Dr. Xie will be 12.51%, 50.02% and 37.47%. As at the date of this annual report, the completion of the New Subscription has yet to be satisfied, and details of the New Subscription are set out in the announcement dated 25 April 2013 of the UG Listco.

As Shanghai Longmark is an associate of the Company, the New Subscription does not constitute a transaction that is subject to the reporting and announcement requirements under Chapters 14 and 14A of the Listing Rules.

Connected and Related Party Transactions (continued)

(e) Provision of financial assistance to Shanghai Longmark

On 16 May 2012, Jilin Extrawell entered into a loan agreement with Shanghai Longmark (the "Loan Agreement") pursuant to which Jilin Extrawell has agreed to grant an unsecured, interest-bearing loan in the aggregate principal amount of RMB7,500,000 (the "Loan") to Shanghai Longmark for financing the working capital requirements of Shanghai Longmark.

By virtue of Dr. Mao's and Dr. Xie's interests in UG Listco, Shanghai Longmark is an associate (as defined in the Listing Rules) of Dr. Mao and Dr. Xie, and therefore a connected person of the Company. As a result, the Loan Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and it is also a discloseable transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Details of the Loan Agreement are set out in the Company's announcement dated 16 May 2012.

As at 31 March 2013, the Loan was fully drawn down by Shanghai Longmark pursuant to its drawdown notices made on 18 May, 18 July and 20 August 2012 for the amount of RMB5,000,000, RMB1,000,000 and RMB1,500,000 respectively. Interest on the Loan of approximately RMB384,000 was recorded during the year under review.

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the directors, the directors have complied with the required standard set out in the Model Code throughout the year ended 31 March 2013.

PURCHASE, SALE 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 or 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 INEDs. The Group's financial statements for the year ended 31 March 2013 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 Yumin
Chairman

Hong Kong, 28 June 2013

Independent Auditors' Report

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

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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 the "Group") set out on pages 34 to 95, which comprise the consolidated and company statements of financial position as at 31 March 2013, 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 information.

Directors' Responsibility for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated 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 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Significant Matters

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

(a) Included in Intangible Assets as at 31 March 2013 is the technological know-how with the carrying value of approximately HK$284,260,000 (2012: 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 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 as at 31 March 2013. 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.

(b) In connection with the acquisition of the shares of Fosse Bio as referred to in the above paragraph, Smart Ascent owed the vendor of the sales of the 51% interest of Fosse Bio (the ''Fosse Bio Vendor'') the amount of HK$31,780,000 (2012: 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 non-controlling interest 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 realise 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, 28 June 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
TURNOVER	7	**151,068**	157,406
COST OF SALES		**(104,374)**	(109,943)
GROSS PROFIT		**46,694**	47,463
OTHER REVENUES	8	**5,933**	3,561
RECLASSIFICATION FROM TRANSLATION RESERVE		**—**	8,384
SELLING AND DISTRIBUTION EXPENSES		**(9,516)**	(10,430)
ADMINISTRATIVE EXPENSES		**(27,888)**	(27,230)
RESEARCH AND DEVELOPMENT EXPENSES	9	**(3,251)**	(4,885)
SHARE OF RESULTS OF AN ASSOCIATE		**(3,086)**	—
PROFIT BEFORE TAXATION	9	**8,886**	16,863
TAXATION	10	**(706)**	(926)
PROFIT FOR THE YEAR		**8,180**	15,937
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
RECLASSIFICATION FROM TRANSLATION RESERVE		**—**	(8,384)
EXCHANGE REALIGNMENT	34(b)	**35**	7,251
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**8,215**	14,804
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		**10,876**	20,414
NON-CONTROLLING INTERESTS		**(2,696)**	(4,477)
		8,180	15,937
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		**10,911**	19,281
NON-CONTROLLING INTERESTS		**(2,696)**	(4,477)
		8,215	14,804
		HK cents	HK cents
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
BASIC	14	**0.47**	0.89
DILUTED	14	**N/A**	N/A

The notes on pages 41 to 95 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investment properties	16	**1,733**	—
Property, plant and equipment	17	**78,032**	50,555
Prepaid land lease payments	18	**22,537**	24,201
Intangible assets	19	**286,203**	286,675
Interest in an associate	21	**9,733**	—
Amounts due from non-controlling interests	22	**6,056**	6,140
Loan to a non-controlling interest	22	**5,997**	4,807
		410,291	372,378
CURRENT ASSETS			
Inventories	23	**13,150**	12,980
Trade receivables	24	**74,805**	73,593
Deposits, prepayments and other receivables	25	**63,208**	69,182
Pledged bank deposits	26	**19,712**	19,600
Cash and cash equivalents	27	**136,450**	140,071
		307,325	315,426
CURRENT LIABILITIES			
Trade and bills payables	28	**13,898**	10,527
Accruals and other payables	29	**18,984**	22,884
Amounts due to non-controlling interests	30	**39,470**	39,389
Tax payables	10	**1,134**	1,304
		73,486	74,104
NET CURRENT ASSETS		**233,839**	241,322
TOTAL ASSETS LESS CURRENT LIABILITIES		**644,130**	613,700

Consolidated Statement of Financial Position

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT LIABILITIES			
Amounts due to non-controlling interests	30	**17,702**	15,195
Loan from a non-controlling interest	30	**5,997**	4,807
Deferred income	31	**37,037**	18,519
Deferred tax liabilities	32	**102**	102
		60,838	38,623
NET ASSETS		**583,292**	575,077
CAPITAL AND RESERVES			
Share capital	33	**22,900**	22,900
Reserves	34	**361,447**	350,536
Equity attributable to equity holders of the Company		**384,347**	373,436
Non-controlling interests		**198,945**	201,641
TOTAL EQUITY		**583,292**	575,077

Mao Yumin
Director

Xie Yi
Director

The notes on pages 41 to 95 form an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	20	**193,353**	155,982
CURRENT ASSETS			
Dividend receivables		**—**	31,014
Deposits, prepayments and other receivables	25	**221**	221
Cash and cash equivalents	27	**44,849**	56,548
		45,070	87,783
CURRENT LIABILITIES			
Accruals and other payables	29	**1,241**	493
NET CURRENT ASSETS		**43,829**	87,290
NET ASSETS		**237,182**	243,272
CAPITAL AND RESERVES			
Share capital	33	**22,900**	22,900
Reserves	34	**214,282**	220,372
TOTAL EQUITY		**237,182**	243,272

Mao Yumin
Director

Xie Yi
Director

The notes on pages 41 to 95 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Attributable to the equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000 (note 34(b)(i))	Capital reserve HK$'000 (note 34(b)(ii))	Contributed surplus HK$'000 (note 34(b)(iii))	Foreign currency translation reserve HK$'000 (note 34(b)(iv))	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
FOR THE YEAR ENDED 31 MARCH 2012									
At 1 April 2011	22,900	133,717	6,542	4,839	37,274	148,883	354,155	206,118	560,273
Comprehensive income									
Profit for the year	—	—	—	—	—	20,414	20,414	(4,477)	15,937
Other comprehensive income									
Currency translation differences	—	—	—	—	7,251	—	7,251	—	7,251
Reclassification of translation reserve (note)	—	—	—	—	(8,384)	—	(8,384)	—	(8,384)
Total comprehensive income	—	—	—	—	(1,133)	20,414	19,281	(4,477)	14,804
At 31 March 2012	22,900	133,717	6,542	4,839	36,141	169,297	373,436	201,641	575,077
FOR THE YEAR ENDED 31 MARCH 2013									
At 1 April 2012	**22,900**	**133,717**	**6,542**	**4,839**	**36,141**	**169,297**	**373,436**	**201,641**	**575,077**
Comprehensive income									
Profit for the year	**—**	**—**	**—**	**—**	**—**	**10,876**	**10,876**	**(2,696)**	**8,180**
Other comprehensive income									
Currency translation differences	**—**	**—**	**—**	**—**	**35**	**—**	**35**	**—**	**35**
Total comprehensive income	**—**	**—**	**—**	**—**	**35**	**10,876**	**10,911**	**(2,696)**	**8,215**
At 31 March 2013	**22,900**	**133,717**	**6,542**	**4,839**	**36,176**	**180,173**	**384,347**	**198,945**	**583,292**

Note:

As a result of the Group restructuring in its distribution model of the imported pharmaceutical business in the PRC in prior years, one of the subsidiaries had become inactive following the restructuring. The cumulative exchange gain on translation of the net assets of the subsidiary from its functional currency to the Group's presentation currency amounting to approximately HK$8,384,000 was reclassified as exchange gain from foreign currency translation reserve during the year ended 31 March 2012.

The notes on pages 41 to 95 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**8,886**	16,863
Adjustments for:		
Amortisation of intangible assets	**472**	292
Amortisation of investment properties	**60**	—
Amortisation of prepaid land lease payments	**947**	561
Depreciation of property, plant and equipment	**2,617**	3,213
Impairment on trade receivables	**8,551**	4,716
Impairment on other receivables	**—**	304
(Decrease)/increase in allowance for inventories	**(3)**	51
Net loss on disposal of property, plant and equipment	**—**	66
Share of loss in an associate	**3,086**	—
Reclassification from translation reserve	**—**	(8,384)
Reversal of impairment on trade receivables	**(8,794)**	(4,001)
Interest on loan	**(474)**	—
Interest income	**(1,241)**	(1,730)
Operating profit before changes in working capital	**14,107**	11,951
(Increase)/decrease in inventories	**(167)**	2,201
(Increase) in trade receivables	**(969)**	(1,733)
(Increase)/decrease in deposits, prepayments and other receivables	**(2,393)**	6,745
Increase in trade and bills payables	**3,371**	3,375
(Decrease) in accruals and other payables	**(3,900)**	(13,065)
Cash generated from operations	**10,049**	9,474
Income tax paid	**(876)**	(1,728)
Interest income received	**1,241**	1,730
NET CASH GENERATED FROM OPERATING ACTIVITIES	**10,414**	9,476
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for investment in an associate	**(3,086)**	—
Proceeds from disposals of property, plant and equipment	**—**	693
Purchases of property, plant and equipment	**(31,170)**	(2,743)
Compensation received (note 31)	**37,037**	—
Deposits paid for purchases of machinery and equipment	**(10,152)**	—
(Increase) in loan to an associate	**(9,259)**	—
(Increase)/decrease in pledged bank deposits	**(112)**	1,143
NET CASH (USED IN) INVESTING ACTIVITIES	**(16,742)**	(907)

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
(Increase)/decrease in amounts due from non-controlling interests	**(1,106)**	2,026
Increase in amounts due to non-controlling interests	**3,778**	762
NET CASH GENERATED FROM FINANCING ACTIVITIES	**2,672**	2,788
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(3,656)**	11,357
EFFECT ON FOREIGN EXCHANGE RATE CHANGES	**35**	4,141
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**140,071**	124,573
CASH AND CASH EQUIVALENTS AT END OF YEAR	**136,450**	140,071
ANALYSIS OF THE CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**136,450**	140,071

The notes on pages 41 to 95 form an integral part of these consolidated financial statements.

1. General Information

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

The Company is an investment holding company and its subsidiaries (collectively the "Group") are principally engaged in 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 principal activities of the Company's subsidiaries and associate are set out in note 20 and note 21 to the consolidated financial statements.

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and the Hong Kong Companies Ordinance. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities which have been measured at fair value.

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

The preparation of consolidated financial statements in conformity with HKFRS 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.

2.1 Amendments and interpretations to existing standards effective for the Group's financial year beginning on 1 April 2012 and relevant to the Group

There are no HKFRSs interpretations that are effective for the first time for the financial year beginning on or after 1 April 2012 that would be expected to have a material impact on the Group.

2. Basis of Preparation (continued)

2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted

Up to the date of issue of these consolidated financial statements, the HKICPA have issued a number of new standards, amendments to standards and interpretations which are effective for the Group's accounting periods beginning after 1 April 2012, and which have not been adopted in preparing these consolidated financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
HKAS 1 (Revised), "Presentation of financial statements"	1 July 2012
HKAS 27 (Revised), "Separate financial statements"	1 January 2013
HKAS 28 (Revised), "Investments in associates and joint ventures"	1 January 2013
HKFRS 9, "Financial instruments"	1 January 2015
HKFRS 10, "Consolidated financial statements"	1 January 2013
HKFRS 12, "Disclosures of interests in other entities"	1 January 2013
HKFRS 13, "Fair value measurement"	1 January 2013
Amendments to HKFRS 7, "Financial instruments: Disclosures — Offsetting financial assets and financial liabilities"	1 January 2013
Amendments to HKAS 32, "Financial instruments: Presentation — Offsetting financial assets and financial liabilities"	1 January 2014

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Amendments to HKAS 1 (Revised), "Presentation of financial statements", change the grouping of items presented in other comprehensive income, items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from its accounting period beginning on 1 April 2013.

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of comprehensive income, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 no later than its accounting period beginning on or after 1 April 2015.

2. Basis of Preparation (Continued)

2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted (Continued)

HKFRS 10, "Consolidated financial statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than its accounting period beginning on or after 1 April 2013.

HKFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 April 2013.

HKFRS 13, "Fair value measurement", provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from its accounting period on 1 April 2013.

Amendments to HKFRS 7, "Financial instruments: Disclosures — Offsetting financial assets and financial liabilities", requires new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The Group will apply this amendment from 1 April 2013.

Amendments to HKAS 32, "Financial instruments: Presentation — Offsetting financial assets and financial liabilities", is to the application guidance in HKAS 32 "Financial instruments: Presentation", and clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The application of the amendments to HKAS 32 might result in changes in presentation of certain financial assets and financial liabilities on the statement of financial position. The Group will apply this amendment from 1 April 2013.

3. 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

(i) Subsidiaries

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

Subsidiaries are all entities (including special purpose 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 Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Inter-company transactions, balances, and unrealised gains or losses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets 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.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3. Significant Accounting Policies (Continued)

(a) Consolidation (Continued)

(ii) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in an associate are accounted for in the consolidated financial statements by the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of an associate's post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of the post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of an associate" in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Intangible assets

Intangible assets, which comprise rights to technological know-how and rights to commercially exploit certain gene inventions and goodwill, are stated at cost less accumulated amortisation and impairment losses. The categories of intangible assets are summarised 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 amortised on a straight-line basis over the estimated economic lives from seven to fourteen years commencing in the year when the rights are available for use. The intangible assets relating to the oral insulin product are not amortised as the rights are not yet available for use.

(ii) Gene invention rights

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

(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 recognised 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 recognised. An impairment loss recognised 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. 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.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(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's entities operate (the "functional currency") which include Hong Kong dollars 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 dollars, the presentation currency for the consolidated financial statements, except when otherwise indicated.

(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 recognised 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 recognised 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. 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are 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 assets' residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Construction in progress represents properties under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction, if any. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the construction is completed and the properties are ready for intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investment property

An investment property is measured initially at its cost including all direct costs attributable to the property. Land held under operating leases is accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses. The depreciation is calculated using the straight line method to allocate the cost to the residual value over its estimated useful life.

If an investment property becomes owner-occupied or a property held for sale, it is reclassified as property, plant and equipment or properties held for sale as appropriate, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the statement of comprehensive income.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in the statement of comprehensive income. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(g) 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 recognised 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 the end of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

(i) Receivables

Receivables, including trade and other receivables, and amounts due from related parties are recognised initially at fair value and subsequently measured at amortised 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 recognised 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.

(j) 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.

(k) Payables

Payables, including trade and bills payables, accruals and other payables, and amounts due to related parties are recognised initially at fair value and subsequently measured at amortised 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 end of the reporting period.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost, and difference between the proceeds (net of transaction costs) and the redemption value is recognised 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 end of the reporting period.

3. Significant Accounting Policies (Continued)

(m) Provisions

Provisions are recognised 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 recognised 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 recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(n) 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 the 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 recognised, 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 the 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 recognised 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 tax 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits

(i) Employee leave entitlements

Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(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 recognised as employee benefit expense in the consolidated statement of comprehensive income when they are due.

(iii) Termination benefits

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

(p) Revenue recognition

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

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

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

Sundry income is recognised on an accrual basis.

3. Significant Accounting Policies (Continued)

(q) 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) Lease of land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid land lease payments" in the consolidated statement of financial position and are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. Unless it is clear that both elements are operating lease, in which case the entire lease is classified as an operating lease.

(r) Research and development expenditure

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

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

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

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

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

3. Significant Accounting Policies (continued)

(s) Related parties

A related party is a person or entity that is related to the Group if:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 the carrying amount of approximately HK$284,260,000 (2012: 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 the carrying amount of approximately HK$608,000 and HK$1,807,000 respectively (2012: HK$608,000 and HK$1,807,000 respectively) whenever there are indications that these assets have suffered impairment losses. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. Details of the calculation of value in use are disclosed in note 19. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations. Where the actual outcome in future is different from the original estimates, such difference will impact the carrying value of the intangible assets and the impairment on intangible assets in the year in which such estimate has been changed.

(b) Impairment loss for bad and doubtful debts

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

(c) 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 the end of each reporting period.

4. CRITICAL JUDGEMENT IN APPLYING POLICIES (CONTINUED)

(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 recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade receivables, deposits, prepayments and other receivables, cash and cash equivalents, amounts due from/(to) non-controlling interests, trade and bills payables, and accruals 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 exchange 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 and Renminbi against the Hong Kong 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 2013, if Renminbi had strengthened/weakened by 1% (2012: 1%) against the Hong Kong dollars with all other variables held constant, the Group's pre-tax profit for the year would have been higher/lower by HK$47,000 (2012: HK$120,000), mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated net assets/liabilities, representing trade and other receivables, cash and cash equivalents, trade and bills payables, and accruals and other payables.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, amounts due from related parties 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.

With respect to credit risk arising from other receivables and amounts due from related parties, in the opinion of the directors, no significant credit risk is expected as there is no default repayment history.

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 end of the reporting period.

(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.

5. Financial Risk Management (continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date 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 2013			
Trade and bills payables	**13,898**	**—**	**13,898**
Accruals and other payables	**18,984**	**—**	**18,984**
Amounts due to non-controlling interests	**39,470**	**17,702**	**57,172**
Loan from a non-controlling interest	**—**	**5,997**	**5,997**
	72,352	**23,699**	**96,051**
At 31 March 2012			
Trade and bills payables	10,527	—	10,527
Accruals and other payables	22,884	—	22,884
Amounts due to non-controlling interests	39,389	15,195	54,584
Loan from a non-controlling interest	—	4,807	4,807
	72,800	20,002	92,802

The Company:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Total HK$'000
At 31 March 2013			
Accruals and other payables	**1,241**	**—**	**1,241**
At 31 March 2012			
Accruals and other payables	493	—	493

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk

Other than the cash at banks and pledged 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 2013, 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$634,000 increase/decrease (2012: consolidated profit for the year would have been approximately HK$763,000 increase/decrease).

The directors are of the opinion that the Group does not have significant fair value interest rate risk and no sensitivity analysis is performed.

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 PRC, and over 90% of the Group's assets and capital expenditures are located in the PRC.

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

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

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

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

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

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 year ended 31 March 2013 and 31 March 2012.

	Manufacturing		Trading		Gene development		Oral insulin		Total	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Segment revenue										
Sales to external customers	61,424	51,673	89,644	105,733	—	—	—	—	151,068	157,406
Segment results	2,527	2,067	19,271	25,054	(67)	(66)	(4,586)	(6,634)	17,145	20,421
Interest income									1,241	1,730
Net unallocated expenses									(6,414)	(5,288)
Share of results of an associate									(3,086)	—
Profit before taxation									8,886	16,863
Taxation									(706)	(926)
Profit for the year									8,180	15,937
Segment assets	209,471	184,992	118,772	98,591	6	6	306,342	303,611	634,591	587,200
Unallocated assets									83,025	100,604
Total assets									717,616	687,804
Segment liabilities	50,260	32,731	19,277	19,613	50	50	31,634	27,856	101,221	80,250
Unallocated liabilities									33,103	32,477
Total liabilities									134,324	112,727
Depreciation and amortisation	3,829	3,667	134	268	—	—	—	—	3,963	3,935
Unallocated depreciation and amortisation									133	131
									4,096	4,066
Other non-cash expenses, other than depreciation and amortisation: Impairment on trade receivables	8,551	4,550	—	166	—	—	—	—	8,551	4,716
Reversal of impairment on trade receivables	(8,675)	(3,595)	(119)	(406)	—	—	—	—	(8,794)	(4,001)
Impairment on other receivables	—	304	—	—	—	—	—	—	—	304
Loss on disposal of property, plant and equipment	—	—	—	254	—	—	—	—	—	254

7. Turnover

	2013 HK$'000	2012 HK$'000
Manufacturing of pharmaceutical products	**61,424**	51,673
Trading of pharmaceutical products	**89,644**	105,733
	151,068	157,406

8. Other Revenues

	2013 HK$'000	2012 HK$'000
Exchange gain	**2**	1,635
Interest income	**1,241**	1,730
Interest on loan	**474**	—
Gain on disposal of property, plant and equipment	**—**	188
Rental income	**222**	—
Sundry income	**3,994**	8
	5,933	3,561

9. PROFIT BEFORE TAXATION

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

	2013 HK$'000	2012 HK$'000
Amortisation of prepaid land lease payments	947	561
Amortisation of investment properties	60	—
Amortisation of intangible assets	472	292
Auditors' remuneration	670	660
Cost of sales*	104,374	109,943
Depreciation of property, plant and equipment	2,617	3,213
(Decrease)/increase in allowance for inventories	(3)	51
Impairment on other receivables	—	304
Impairment on trade receivables	8,551	4,716
Reversal of impairment on trade receivables	(8,794)	(4,001)
Loss on disposal of property, plant and equipment	—	254
Operating lease charges in respect of land and buildings	1,919	2,068
Research and development expenses**	3,251	4,885
Staff cost (including directors' emoluments)		
— Salaries, bonus and allowances	24,688	25,834
— Retirement benefits scheme contributions	2,669	2,402

Note:

* Cost of sales included staff cost and depreciation of property, plant and equipment of approximately HK$8,810,000 (2012: HK$8,174,000) for the year.

** Research and development expenses incurred relating to oral insulin project for the year were HK$2,431,000 (2012: HK$4,414,000) and the amounts incurred on other projects for the year was HK$820,000 (2012: HK$471,000).

10. TAXATION

(a) Taxation in consolidated statement of comprehensive income represents:

	2013 HK$'000	2012 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**82**	76
Over-provision in prior years	**(5)**	(1)
	77	75
Current tax — Overseas		
Provision for the year	**628**	851
Under-provision in prior years	**1**	—
	629	851
Income tax charge	**706**	926

Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 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 PRC Enterprise Income Tax Law, the tax rate of the PRC subsidiaries is 25%.

(b) Tax payables in consolidated statement of financial position represent:

	2013 HK$'000	2012 HK$'000
At 1 April	**1,304**	1,987
Provision for the year	**710**	927
Tax paid for the year	**(876)**	(1,728)
Over-provision in prior years	**(4)**	(1)
Translation difference	**—**	119
At 31 March	**1,134**	1,304

10. Taxation (continued)

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

	2013 HK$'000	2012 HK$'000
Profit before taxation	**8,886**	16,863
Tax at the statutory tax rates applicable to the respective tax jurisdictions	**(1,126)**	(689)
Tax effect on expenses not deductible	**2,590**	1,861
Tax effect on income not taxable	**(564)**	(393)
Tax effect of temporary differences not recognised	**(209)**	148
Over-provision in prior years	**(4)**	(1)
Others	**19**	—
Income tax charge	**706**	926

11. 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	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK'000	**2013 HK$'000**	2012 HK$'000
Name of director								
Mao Yumin	**40**	40	**488**	488	**—**	—	**528**	528
Xie Yi	**40**	40	**975**	975	**—**	—	**1,015**	1,015
Lou Yi	**40**	40	**325**	325	**—**	—	**365**	365
Wong Sau Kuen	**40**	40	**568**	538	**15**	12	**623**	590
Fang Lin Hu	**40**	40	**—**	—	**—**	—	**40**	40
Xue Jing Lun	**40**	40	**—**	—	**—**	—	**40**	40
Jin Song	**40**	40	**—**	—	**—**	—	**40**	40
	280	280	**2,356**	2,326	**15**	12	**2,651**	2,618

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.

11. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2012: three) directors whose emoluments are shown in note 11(a). The emoluments paid to the remaining two individuals (2012: two) during the year are as follows:

	2013 HK$'000	2012 HK$'000
Salaries and allowance	**1,589**	1,482
Pension scheme contributions	**15**	24
	1,604	1,506

	Number of individuals 2013	 2012
Emolument band		
HK$Nil to HK$1,000,000	**2**	2

12. RETIREMENT BENEFIT SCHEME

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 Group'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.

13. Loss Attributable to Equity Holders of the Company

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$6,090,000 (2012: loss attributable to equity holders of HK$5,273,000).

14. 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$10,876,000 (2012: profit attributable to the Company's equity holders of approximately HK$20,414,000) and on the weighted average of 2,290,000,000 (2012: 2,290,000,000) ordinary shares in issue during the year.

As there were no potential dilutive ordinary shares in existence for each of the years ended 31 March 2013 and 31 March 2012 and accordingly, no diluted earnings per share have been presented.

15. Dividends

The directors do not recommend the payment of dividend for the year ended 31 March 2013 (2012: HK$ Nil).

16. Investment properties

The Group:

	HK$'000
COST	
Transfer from owner-occupied property and as at 31 March 2013	8,057
ACCUMULATED AMORTISATION AND IMPAIRMENT	
Transfer from owner-occupied property	6,264
Charge for the year	60
At 31 March 2013	6,324
CARRYING AMOUNT	
At 31 March 2013	1,733

During the year, the Group transferred owner-occupied property previously classified as property, plant and equipment and prepaid land lease payments with carrying amounts of HK$1,793,000 to investment properties. The transfer was evidenced by end of owner-occupation.

The directors consider the carrying amounts of the investment properties approximate their fair values. The above investment properties are depreciated using the straight line method, after taking into account their estimated residual value, over the lease terms of the leasehold land.

The Group's investment properties are held outside Hong Kong with medium-term leases.

17. PROPERTY, PLANT AND EQUIPMENT

The Group:

	Buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 April 2011	60,259	—	30,190	7,526	6,995	104,970
Additions	—	1,875	771	97	—	2,743
Disposal	—	—	—	(935)	(2,355)	(3,290)
Exchange realignments	2,442	—	1,491	107	199	4,239
At 31 March 2012	62,701	1,875	32,452	6,795	4,839	108,662
Additions	—	30,634	284	252	—	31,170
Disposal	—	—	—	(4)	—	(4)
Transfer to investment properties	(4,834)	—	—	—	—	(4,834)
At 31 March 2013	57,867	32,509	32,736	7,043	4,839	134,994
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April 2011	19,971	—	24,109	5,802	5,431	55,313
Charge for the year	1,441	—	1,143	259	370	3,213
Written back on disposal	—	—	—	(681)	(1,850)	(2,531)
Exchange realignments	606	—	1,274	70	162	2,112
At 31 March 2012	22,018	—	26,526	5,450	4,113	58,107
Charge for the year	1,395	—	699	214	309	2,617
Written back on disposal	—	—	—	(4)	—	(4)
Transfer to investment properties	(3,758)	—	—	—	—	(3,758)
At 31 March 2013	19,655	—	27,225	5,660	4,422	56,962
CARRYING AMOUNT						
At 31 March 2013	38,212	32,509	5,511	1,383	417	78,032
At 31 March 2012	40,683	1,875	5,926	1,345	726	50,555

Depreciation of property, plant and equipment of HK$842,000 (2012: HK$937,000) has been charged in administrative expenses and HK$1,775,000 (2012: HK$2,276,000) has been charged in cost of sales.

The existing factory premises of CEP have a land use right up to 16 September 2050. An agreement for early termination of the land use right for the factory premises was made on 28 December 2011 for a compensation. Please refer to note 31 for details.

The construction in progress represents the new factory premises being built for CEP's relocation of production facilities.

18. Prepaid Land Lease Payments

The Group:

	HK$'000
COST	
At 1 April 2011	34,742
Exchange realignments	1,360
At 31 March 2012	36,102
Transfer to investment properties	(3,223)
At 31 March 2013	32,879
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 April 2011	11,051
Charge for the year	561
Exchange realignments	289
At 31 March 2012	11,901
Transfer to investment properties	(2,506)
Charge for the year	947
At 31 March 2013	10,342
CARRYING AMOUNT	
At 31 March 2013	22,537
At 31 March 2012	24,201

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

	2013 HK$'000	2012 HK$'000
Land outside Hong Kong :		
Medium-term leases	**22,537**	24,201

Amortisation of prepaid land lease payments of HK$29,000 (2012: HK$53,000) has been charged in administrative expenses and HK$918,000 (2012: HK$508,000) has been charged in cost of sales.

19. Intangible Assets

The Group:

	Technological know-how HK$'000 (note)	Gene invention rights HK$'000	Goodwill HK$'000	Total HK$'000
COST				
At 1 April 2011	295,165	95,000	1,807	391,972
Exchange realignments	539	—	—	539
At 31 March 2012 and at 31 March 2013	295,704	95,000	1,807	392,511
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 April 2011	10,036	95,000	—	105,036
Charge for the year	292	—	—	292
Exchange realignments	508	—	—	508
At 31 March 2012	10,836	95,000	—	105,836
Charge for the year	472	—	—	472
At 31 March 2013	11,308	95,000	—	106,308
CARRYING AMOUNT				
At 31 March 2013	284,396	—	1,807	286,203
At 31 March 2012	284,868	—	1,807	286,675

Amortisation of intangible assets of HK$472,000 (2012: HK$292,000) has been charged in cost of sales.

19. Intangible Assets (Continued)

Note:

Included in the technological know-how of approximately HK$284,260,000 (2012: HK$284,260,000) (the "Know-how") represents 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 company acquired by the Group in March 2004 and became a subsidiary of 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 States Patent and Trademark Office of the USA on 4 August 2004 and 28 March 2006 respectively.

The recoverable amount of the Know-how is determined based on value-in-use calculations by reference to the valuation report issued by an independent professional valuer. The calculation uses the future after-tax royalties attributable to the know-how and a discount rate of 17.93%. According to the valuation report provided by the independent professional valuer, the carrying amount of the Know-how as at 31 March 2013 is no less than HK$284,260,000. The directors are, therefore, in the opinion that no impairment on the know-how should be recognised. 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$136,000 (2012: HK$608,000) 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 (2012: 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 non-controlling interest in 2009. The carrying amount of goodwill was allocated to the cash-generating units ("CGU") of the Group's operations related to manufacturing of pharmaceutical products.

The recoverable amounts of the relevant CGU have been determined on the basis of value-in-use calculations. For the purpose of impairment testing, the recoverable amount for the CGU is determined based on its fair value less cost to sell or value-in-use calculations. The key assumption for the Group has been determined by the Group's management based on the future income generated from the acquisition of the additional interests in CEP. Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sales and gross margin, such estimation is based on the management's expectations for the market development. The directors are of the opinion that no impairment provision is required on goodwill for the year.

20. Interests in Subsidiaries

	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**52,990**	52,990
Add: Amounts due from subsidiaries	**170,041**	145,600
	223,031	198,590
Less: Amounts due to subsidiaries	**(11,848)**	(24,778)
Impairment on interests in subsidiaries	**(17,830)**	(17,830)
	193,353	155,982

Particulars of the Company's principal subsidiaries as at 31 March 2013 are as follows:

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

20. Interests in Subsidiaries (continued)

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
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/ The PRC	10,000 ordinary shares of HK$10 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

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affect the financial results or net assets of the Group.

20. 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 ended 31 March 2010, the Group had acquired an additional 5.49% interests from a non-controlling interest and as a result the equity interest of the Group increased from approximately 68% to 73%.

(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 2013. These two installments are to be paid as to HK$12,000,000 within 14 days from the issuance of the certificate of phase III clinical trial of the Product (as mentioned in note 19) 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 non-controlling interests.

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

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, Mr. Ong Cheng Heang ("Mr. Ong) (the "2007 Agreement") to acquire the remaining 49% interest in Smart Ascent (the "Acquisition"), 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.

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 EBVI, 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 were further disclosed in the Company's 2010 Annual Report. Pursuant to the Company's announcement dated 23 December 2009, the Company had fulfilled all resumption conditions and trading in the Company's shares was resumed on 24 December 2009.

On 23 February 2013, the Group entered into a supplemental agreement (the "Supplemental Agreement") with Mr. Ong to amend certain terms and conditions of the 2007 Agreement. Pursuant to the Supplemental Agreement, the consideration is revised to HK$660,000,000 and the settlement of which is revised to (i) cash payment of HK$18,700,000 and (ii) issuance of zero-coupon convertible bonds by the Company with principal amount in aggregate of HK$641,300,000 at conversion price of HK$0.6413 for each new share of the Company, which, if fully converted, is equivalent to 1,000,000,000 new shares of the Company.

Details regarding the Acquisition are disclosed in the Company's announcement dated 27 February 2013 and the circular dated 18 June 2013, and the special general meeting to approve the Acquisition has not been held as at the date of approval of these consolidated financial statements.

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

21. INTEREST IN AN ASSOCIATE

The Group:

	2013 HK$'000
At 1 April 2012	—
Acquisition, unlisted and at cost (note)	3,086
At 31 March 2013	3,086
Add: Loan receivable (note)	9,259
Loan interests receivable (note)	474
	12,819
Less: Share of loss	(3,086)
At 31 March 2013	9,733

Particulars of the associate as at the reporting period end 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
龍脈(上海)健康管理服務有限公司("龍脈")	PRC	Registered capital of RMB12,500,000	—	20%	Provision of health care management services

Note:

On 13 January 2012, Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd. ("JECP"), a wholly-owned subsidiary of the Company subscribed for RMB2,500,000 of the registered capital of 龍脈 by way of capital injection (the "Subscription"). The Subscription was completed in April 2012, and the enlarged registered capital of RMB12,500,000 of 龍脈 is owned as to 20% by JECP and 80% by United Gene HealthCare Limited, Shanghai ("Shanghai United Gene"). Included in the cost of acquisition in the associate is goodwill of approximately HK$3,086,000.

On 16 May 2012, JECP entered into a loan agreement with 龍脈 (the "Loan Agreement"), and pursuant to which JECP agreed to grant an unsecured, interest-bearing loan in the aggregate principal amount of RMB7,500,000 to 龍脈 for financing its working capital requirements, which was fully drawn down as at 31 March 2013.

The amount due is unsecured, interest bearing at 6.65% per annum and has a fixed repayment term.

Details of the Subscription and the Loan Agreement are set out in the Company's announcements dated 13 January 2012 and 16 May 2012 respectively.

21. INTEREST IN AN ASSOCIATE (CONTINUED)

The summarised financial information in respect of the associate is set out below:

2013	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Loss for the year HK$'000
100%	**32,550**	**59,543**	**(26,993)**	**1,624**	**(25,590)**
Group's interests	**6,510**	**11,909**	**(5,399)**	**325**	***(3,086)**

* The Group's share of an associate's losses is limited to its investment cost.

22. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS AND LOAN TO A NON-CONTROLLING INTEREST

	2013 **HK$'000**	2012 HK$'000
Amounts due from Non-Controlling Interests		
Non-current portion:		
Fordnew Industrial Limited (notes a, b and d)	**3,584**	3,634
Zheng Chang Xue (notes a, b and d)	**1,029**	1,044
Hou Shi Chang (notes a, b and d)	**182**	184
Groupmark Investment Group Limited (notes a, b and d)	**958**	971
Feel So Good Limited (notes a, b and d)	**303**	307
	6,056	6,140
Loan to a Non-Controlling Interest		
Non-current portion:		
Fordnew Industrial Limited (note c)	**5,997**	4,807

22. Amounts Due from Non-Controlling Interests and Loan to a Non-Controlling Interest (continued)

Notes:

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

(b) The amounts represent outstanding contributions' receivable from non-controlling interests of Fosse Bio which made calls from its shareholders to contribute based on their respective equity interests in the company in respect of working capital and operation funds for the further clinical trial of the oral insulin project. The aggregate contribution calls in relation thereof are recorded as amounts due to non-controlling interests in note 30.

(c) This represents a loan made by Smart Ascent Limited to Fordnew Industrial Limited pursuant to the loan agreement dated 25 May 2011. The loan is denominated in Hong Kong dollars, which is unsecured and non-interest bearing. Details of the loan are disclosed in note 30(g) and note 38 to these consolidated financial statements.

(d) The carrying amounts of the Group's amounts due from non-controlling interests are denominated in the following currencies:

Non-current portion:

	2013 **HK$'000**	2012 HK$'000
Hong Kong dollars	**60**	—
Renminbi	**5,996**	6,140
	6,056	6,140

23. Inventories

The Group:

	2013 HK$'000	2012 HK$'000
Raw materials	**2,960**	3,176
Work in progress	**1,508**	1,622
Finished goods	**9,283**	4,930
Goods-in-transit	**—**	3,856
	13,751	13,584
Less: Provision for obsolete inventories	**(601)**	(604)
	13,150	12,980

Cost of sales as shown in the consolidated statement of comprehensive income for both years included inventories recognised as expenses.

24. Trade Receivables

The Group:

	2013 HK$'000	2012 HK$'000
Trade receivables	**94,980**	94,011
Less: Impairment on trade receivables	**(20,175)**	(20,418)
Trade receivables, net of provision	**74,805**	73,593
Maximum exposure to credit risk	**74,805**	73,593

The carrying amounts of trade receivables approximate their fair values as at 31 March 2013 and 31 March 2012. The Group does not hold any collateral over these balances.

24. Trade Receivables (continued)

At the end of the reporting period, the aging analysis of the trade receivables is as follows:

	2013 HK$'000	2012 HK$'000
Within 90 days	**35,836**	28,398
Between 91 to 180 days	**26,100**	20,367
Between 181 to 365 days	**12,869**	24,828
Between 1 to 2 years	**8,551**	4,716
Over 2 years	**11,624**	15,702
	94,980	94,011

The aging analysis of the trade receivables, net of impairment loss is as follows:

	2013 HK$'000	2012 HK$'000
Within 90 days	**35,836**	28,398
Between 91 to 180 days	**26,100**	20,367
Between 181 to 365 days	**12,869**	24,828
	74,805	73,593

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 ranging 120 to 180 days, extending up to one year for some major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The movements of impairment on trade receivables are as follows:

	2013 HK$'000	2012 HK$'000
At 1 April	**20,418**	18,776
Exchange realignments	**—**	927
Impairment on trade receivables	**8,551**	4,716
Reversal of impairment on trade receivables	**(8,794)**	(4,001)
At 31 March	**20,175**	20,418

24. TRADE RECEIVABLES (CONTINUED)

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

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2013 HK$'000	2012 HK$'000
Hong Kong dollars	**30**	—
Renminbi	**40,420**	48,287
United States dollars	**34,355**	25,306
	74,805	73,593

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group:

	2013 HK$'000	2012 HK$'000
Deposits (note a)	**10,671**	3,601
Other receivables, net of impairment loss	**11,295**	8,716
Other receivables due from connected persons (note b)	**31,780**	31,780
Other receivables	**—**	18,519
Maximum exposure to credit risk	**53,746**	62,616
Prepayments	**9,462**	6,566
	63,208	69,182

The Company:

	2013 HK$'000	2012 HK$'000
Prepayments	**221**	221

25. Deposits, Prepayments and Other Receivables (continued)

The carrying amounts of the Group's deposits and other receivables approximate their fair values as at 31 March 2013 and 31 March 2012. The Group does not hold any collateral over these balances, except the other receivables due from connected persons as disclosed in note (b) below.

Notes:

(a) Deposits included HK$10,152,000 paid as deposits for machinery and equipment to be installed or set up in the CEP new factory premises which are still under construction at the end of the reporting period.

(b) 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 20(c) who had, in connection with the acquisition by the Group of 51% interest in Smart Ascent, undertaken to repay this amount to the vendor for the interest of 51% in Fosse Bio, being the third and fourth installments of the consideration for this interest in Fosse Bio.

Risk in respect of the other receivables due from connected persons

As mentioned in note 20(c), the other receivables due from connected persons are secured against the shares representing 49% interest in Smart Ascent held in name of Mr. Ong Cheng Heang. The risk associated with these other receivables is assessed to be the ability of Smart Ascent Vendors to repay the amount in full or the ultimate success of the oral insulin product (please refer to note 19 for details).

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

	2013 **HK$'000**	2012 HK$'000
Renminbi	**30,273**	36,299
Hong Kong dollars	**32,935**	32,883
	63,208	69,182

26. Pledged Bank Deposits

The Group:

	2013 HK$'000	2012 HK$'000
Pledged time deposits	**19,712**	19,600

The carrying amount of the Group's pledged time deposits is denominated in the following currencies:

	2013 HK$'000	2012 HK$'000
United States dollars	**17,502**	17,399
Hong Kong dollars	**2,210**	2,201
	19,712	19,600

The Group's pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group. The pledged bank deposits are arranged at floating interest rates ranging from 0.38% to 0.52% (2012: 0.35% to 1.23%) per annum.

27. Cash and Cash Equivalents

The Group:

	2013 HK$'000	2012 HK$'000
Cash and bank balances	**136,450**	140,071
Maximum exposure to credit risk	**136,255**	133,436

The Company:

	2013 HK$'000	2012 HK$'000
Cash and bank balances and maximum exposure to credit risk	**44,849**	56,548

27. Cash and Cash Equivalents (continued)

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

The Group:

	2013 HK$'000	2012 HK$'000
Renminbi	**32,474**	41,667
United States dollars	**92,759**	86,640
Euro	**7,457**	2,600
Hong Kong dollars	**3,760**	9,164
	136,450	140,071

The Company:

	2013 HK$'000	2012 HK$'000
Renminbi	**1,279**	1,244
United States dollars	**41,123**	51,982
Euro	**1,447**	1,444
Hong Kong dollars	**1,000**	1,878
	44,849	56,548

The cash and cash equivalents are carried at floating interest rates of 0.01% to 2.7% (2012: 0.01% to 1.5%) 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.

28. Trade and Bills Payables

The aging analysis of the trade and bills payables is as follows:

The Group:

	2013 HK$'000	2012 HK$'000
Within 90 days	**11,863**	7,803
Between 91 to 180 days	**1,492**	1,122
Between 181 to 365 days	**—**	207
Between 1 to 2 years	**144**	996
Over 2 years	**399**	399
	13,898	10,527

The carrying amounts of the Group's trade and bills payables approximate their fair values as at 31 March 2013 and 31 March 2012 and are denominated in the following currencies:

	2013 HK$'000	2012 HK$'000
Renminbi	**2,053**	3,383
United States dollars	**7,047**	3,288
Euro	**4,798**	3,856
	13,898	10,527

29. Accruals and Other Payables

The Group:

	2013 HK$'000	2012 HK$'000
Accruals and other payables	**18,984**	22,884

The Company:

	2013 HK$'000	2012 HK$'000
Accruals and other payables	**1,241**	493

The carrying amounts of the Group's and the Company's accruals and other payables approximate their fair values as at 31 March 2013 and 31 March 2012 and are denominated in the following currencies:

The Group:

	2013 HK$'000	2012 HK$'000
Renminbi	**11,766**	9,587
Hong Kong dollars	**7,218**	13,297
	18,984	22,884

The Company:

	2013 HK$'000	2012 HK$'000
Hong Kong dollars	**1,241**	493

30. AMOUNTS DUE TO NON-CONTROLLING INTERESTS AND LOAN FROM A NON-CONTROLLING INTEREST

	2013 HK$'000	2012 HK$'000
Amounts due to Non-Controlling Interests		
Non-current portion:		
Ong Cheng Heang (notes b, c , f and h)	**8,354**	6,692
Fordnew Industrial Limited (notes b, c and h)	**5,532**	5,032
Zheng Chang Xue (notes b, c and h)	**1,589**	1,446
Hou Shi Chang (notes b, c, and h)	**281**	255
Groupmark Investment Group Limited (notes b, c and h)	**1,479**	1,345
Feel So Good Limited (notes b, c and h)	**467**	425
	17,702	15,195
Current portion:		
Ong Cheng Heang (notes a, e and f)	**7,066**	6,985
Fordnew Industrial Limited (notes a and d)	**32,404**	32,404
	39,470	39,389
Loan from a Non-Controlling Interest		
Non-current portion:		
Fordnew Industrial Limited (note g)	**5,997**	4,807

Notes:

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

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

(c) The amounts represent contributions made by non-controlling interests of Fosse Bio in respect of working capital and operation funds for the further clinical trial of the oral insulin project, and the corresponding outstanding contributions receivable from them are recorded as amounts due from non-controlling interests in note 22.

(d) The amount due is denominated in Hong Kong dollars.

(e) The amounts due are denominated in Renminbi.

(f) Ong Cheng Heang is a shareholder of Smart Ascent which owns 51% equity interest in Fosse Bio.

(g) This represents a loan made by Fordnew Industrial Limited ("Fordnew") to Fosse Bio pursuant to the loan agreement entered into between Smart Ascent and Fordnew on 25 May 2011. The loan is denominated in Hong Kong dollars, which is unsecured and non-interest bearing. Details of the loan are disclosed in note 22(c) and note 38 to these consolidated financial statements.

30. Amounts Due to Non-Controlling Interests and Loan from a Non-Controlling Interest (continued)

Notes: (Continued)

(h) The carrying amounts of amounts due to non-controlling interests are denominated in the following currencies:

Non-current portion

	2013 **HK$'000**	2012 HK$'000
Hong Kong dollars	**84**	—
Renminbi	**17,618**	15,195
	17,702	15,195

31. Deferred Income

On 28 December 2011 CEP and 長春經濟技術開發區土地收購儲備中心 entered into an agreement for early termination of the land use right of the factory premises held by CEP in return for a compensation of RMB47,112,000 (equivalent to approximately HK$58,163,000). Under the agreement, there are three installment payments in the amounts of RMB15,000,000 (equivalent to approximately HK$18,519,000) due on 31 March 2012; RMB15,000,000 (equivalent to approximately HK$18,519,000) due on 30 September 2012 and RMB17,112,000 (equivalent to approximately HK$21,125,000) due upon removal of factory premises. The first two installments totaling RMB30,000,000 (equivalent to HK$37,037,000) had been received by the Group during the year. Accordingly, the said amount of HK$37,037,000 has been recognised as deferred income in these consolidated financial statements.

32. Deferred Tax Liabilities

The deferred tax liabilities at 31 March 2013 arose from accelerated tax depreciation.

At 31 March 2013, the Group has unused tax losses arising in Hong Kong and the PRC of approximately HK$3,458,000 (2012: HK$3,458,000) and HK$5,430,000 (2012: HK$5,466,000) respectively available to offset against future taxable profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Tax losses arising in Hong Kong may be carried forward indefinitely. The unused tax losses arising in the PRC will expire as follows:

	2013 **HK$'000**	2012 HK$'000
Year		
2012	**—**	781
2013	**1,011**	1,011
2014	**2,324**	2,324
2015	**1,349**	1,349
2016	**1**	1
2017	**745**	—
	5,430	5,466

33. Share Capital

The Group and the Company:

	Number of shares		Share capital	
	2013 **'000**	2012 '000	**2013** **HK$'000**	2012 HK$'000
Ordinary shares 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

34. Reserves

(a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 38 of the consolidated financial statements.

(b) Nature and purpose of reserve

(i) Share premium

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 differences 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.

(c) The Company

	Share premium HK$'000	Contributed surplus HK$'000	Foreign currency translation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
For the year ended 31 March 2012					
At 1 April 2011	133,717	64,636	3,862	23,430	225,645
Loss for the year (note 13)	—	—	—	(5,273)	(5,273)
At 31 March 2012	133,717	64,636	3,862	18,157	220,372
For the year ended 31 March 2013					
At 1 April 2012	**133,717**	**64,636**	**3,862**	**18,157**	**220,372**
Loss for the year (note 13)	**—**	**—**	**—**	**(6,090)**	**(6,090)**
At 31 March 2013	**133,717**	**64,636**	**3,862**	**12,067**	**214,282**

35. 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 non-controlling interests 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 0.098 and 0.098 as at 31 March 2013 and 31 March 2012 respectively.

36. Banking Facilities

At 31 March 2013, the banking facilities of certain subsidiaries and the Company were secured by the following:

(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; and

(ii) A continuing corporate guarantee in the amount of HK$6,000,000 given by the Company, in favour of a bank. The directors considered that the fair value of such guarantee was insignificant.

37. Share Option Scheme

On 24 August 2012, the shareholders of the Company approved the adoption of a new share option scheme (the "Scheme"), as the share option scheme adopted by the Company on 8 August 2002 expired on 14 August 2012. The Scheme became effective on 29 August 2012 after obtaining approval from the Listing Committee of the Stock Exchange and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Scheme provides 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 non-controlling interests in the Company's subsidiaries.

37. Share Option Scheme (continued)

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

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

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

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

From the effective date of the Scheme to 31 March 2013, no share options have been granted, exercised, cancelled or lapsed under the Scheme.

38. Commitments

(a) Commitment under operating lease

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

	2013	2012
	HK$'000	HK$'000
Within one year	**1,589**	1,733
In the second to fifth years, inclusive	**—**	1,589
	1,589	3,322

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) Capital commitments for property, plant and equipment

	2013 HK$'000	2012 HK$'000
Contracted but not provided for	82,985	—

Capital commitments relating to CEP's new factory premises will primarily be funded by the compensation as disclosed in note 31 and the Group's internal resources.

(c) Other commitments

(i) In connection with the acquisition of the interest in Fosse Bio as disclosed in the consolidated financial statements, at 31 March 2013, the Group had a commitment to advance an interest-free loan to Fosse Bio Vendor and/or other shareholders of Fosse Bio to cover expenses relating to clinical trials of the Product.

On 25 May 2011, Smart Ascent has conditionally agreed to grant an unsecured, non-interest bearing loan in the aggregate amount of up to HK$30,000,000 to Fordnew Industrial Limited ("Fordnew") for its onward lending to Fosse Bio, a 51% owned subsidiary of Smart Ascent, for payment of expenses relating to the clinical trial of oral insulin products.

As Fordnew owns 29% interest in the issued share capital of Fosse Bio and is a substantial shareholder of Fosse Bio, the grant of the loan by Smart Ascent to Fordnew constitutes a connected transaction for the Company, which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Further details regarding the transaction are set out in the Company's announcement dated 25 May 2011 and the circular dated 30 June 2011.

Independent shareholders' approval for the provision of financial assistance to Fordnew had been obtained at the special general meeting held on 19 July 2011.

On 6 August 2012, Fordnew made a drawdown notice amounting to HK$1,191,000, and together with its drawdown of HK$4,807,000 made prior years, the aggregate balance utilised by Fordnew was HK$5,998,000 as at 31 March 2013. The remaining unutilised balance available for Fordnew is HK$24,002,000 as at the date of approval of these financial statements.

(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 following:

(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");

38. COMMITMENTS (CONTINUED)

(c) Other commitments (Continued)

(ii) (Continued)

(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 the 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.

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 by 30 June 2010, and therefore the extension of the long stop date of SP Agreement is yet to be concluded. 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.

38. Commitments (continued)

(c) Other commitments (Continued)

(iii) Pursuant to clinical trial of the oral insulin project, Fosse Bio has entered into service contracts with 瀋陽鑫泰格爾醫藥科技開發有限公司 (the "Project Administrator") dated 16 December 2009 with value in total of RMB12,080,000 for provision of clinical trial management services and the related clinical studies.

As at 31 March 2013, RMB9,475,000 (2012: RMB9,475,000) was paid to the Project Administrator and the aggregate authorised contract value not provided for in these consolidated financial statements amounted to RMB2,605,000 as at 31 March 2013.

(d) Commitment on resumption of land

As disclosed in note 31 to the consolidated financial statements, the Group has the following non-cancellable lease income with respect to the resumption of the land by 長春經濟技術開發區土地收購儲備中心:

	2013 HK$'000	2012 HK$'000
Within one year	**21,125**	18,519
In the second to fifth years, inclusive	**—**	21,125
	21,125	39,644

39. Material Related Party Transactions

Details of directors and senior/key management compensation are disclosed in note 11 in these consolidated financial statements, and details in respect of substantial shareholders are disclosed in the Report of the Directors.

In addition to the above and the other related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions during the year:

(a) On 23 February 2013, the Group entered into a supplemental agreement (the "Supplemental Agreement") with Mr. Ong to amend certain terms and conditions of a sale and purchase agreement dated 27 July 2007 in relation to the acquisition of 49% interest in Smart Ascent (the "Acquisition") at a consideration of HK$768,900,000, which would be satisfied by issuing 300,000,000 ordinary shares of the Company with nominal value of HK$0.01 at the issuing price of HK$2.563 each. Pursuant to the Supplemental Agreement, the consideration is revised to HK$660,000,000 and the settlement of which is revised to be satisfied by (i) cash payment of HK$18,700,000 and (ii) issuance of zero-coupon convertible bonds by the Company with principal amount in aggregate of HK$641,300,000 at conversion price of HK$0.6413 for each new share of the Company, which, if fully converted, is equivalent to 1,000,000,000 new shares of the Company. Details regarding the Acquisition are disclosed in the Company's announcement dated 27 February 2013 and the circular dated 18 June 2013, and the special general meeting to approve the Acquisition has not been held as at the date of approval of these consolidated financial statements.

39. Material Related Party Transactions (continued)

(b) As at 31 March 2013, the balance of advances made by EBVI, a wholly owned subsidiary of the Company to Smart Ascent amounted to approximately HK$16,194,000 (2012: approximately HK$14,381,000). These advances were unsecured, non-interest-bearing and repayable on demand.

(c) On 25 May 2011, Smart Ascent has conditionally agreed to grant an unsecured, non-interest-bearing loan in the aggregate amount of up to HK$30 million to Fordnew for its onward lending to Fosse Bio, a 51% owned subsidiary of Smart Ascent, for payment of expenses relating to clinical trial of oral insulin products. As Fordnew owns 29% interest in the issued share capital of Fosse Bio and is a substantial shareholder of Fosse Bio, the grant of the loan by Smart Ascent to Fordnew constitutes a connected transaction for the Company. Details regarding the transaction are set out respectively in the Company's announcement and circular dated 25 May 2011 and 30 June 2011, and the approval of which by the Company's shareholders at the special general meeting is disclosed in the Company's announcement dated 19 July 2011.

On 6 August 2012, Fordnew made a drawdown notice for the sum of approximately HK$$1,191,000 to Smart Ascent so that it could on-lend the sum to Fosse Bio for making progress payment to the project administrator in connection with the service contract for the clinical trial. The aforesaid amount of the loan to Fordnew was contributed by the Company's wholly owned subsidiary EBVI and Mr. Ong based on their respective equity interests of 51% and 49% in Smart Ascent.

40. Financial Instruments by Category

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

The Group:

	2013 HK$'000	2012 HK$'000
Financial assets — Loan and receivables		
Trade receivables	**74,805**	73,593
Deposits and other receivables	**53,746**	62,616
Amounts due from non-controlling interests	**6,056**	6,140
Loan to a non-controlling interest	**5,997**	4,807
Pledged bank deposits	**19,712**	19,600
Cash and cash equivalents	**136,450**	140,071
	296,766	306,827
Financial liabilities — Other financial liabilities		
Trade and bills payables	**13,898**	10,527
Accruals and other payables	**18,984**	22,884
Loan from a non-controlling interest	**5,997**	4,807
Amounts due to non-controlling interests	**57,172**	54,584
	96,051	92,802

40. Financial Instruments by Category (continued)

The Company:

	2013 HK$'000	2012 HK$'000
Financial assets — Loan and receivables		
Dividend receivables	—	31,014
Cash and cash equivalents	**44,849**	56,548
	44,849	87,562
Financial liabilities — Other financial liabilities		
Accruals and other payables	**1,241**	493

41. Fair Value Estimation

The carrying values less impairment provision of trade receivables, deposits and other receivables, trade and bills payables, accruals and other payables as well as amounts due from/to non-controlling interests, 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.

42. Approval Of Consolidated Financial Statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 June 2013.

Five Years' Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, is set out below:

	FOR THE YEAR ENDED 31 MARCH				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**151,068**	157,406	198,816	196,291	184,434
Profit before taxation	**8,886**	16,863	5,103	12,788	7,989
Taxation	**(706)**	(926)	(1,055)	2,784	9,418
Profit for the year	**8,180**	15,937	4,048	15,572	17,407
Attributable to:					
— Equity holders of the Company	**10,876**	20,414	11,567	14,624	15,551
— Non-controlling interests	**(2,696)**	(4,477)	(7,519)	948	1,856
	8,180	15,937	4,048	15,572	17,407
Dividends	**—**	—	—	—	—

	AS AT 31 MARCH				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**717,616**	687,804	664,092	654,213	646,050
Total liabilities	**(134,324)**	(112,727)	(103,819)	(104,127)	(109,046)
Total equity	**583,292**	575,077	560,273	550,086	537,004
Non-controlling interests	**(198,945)**	(201,641)	(206,118)	(213,290)	(214,832)
	384,347	373,436	354,155	336,796	322,172

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