Extrawell Pharmaceutical Holdings Limited

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

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Dr. XIE Yi *(Chairman and Chief Executive Officer)*
Dr. LOU Yi
Mr. CHENG Yong
Ms. WONG Sau Kuen
Mr. LIU Kwok Wah

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

Joint Company Secretaries

Mr. LIU Kwok Wah
Ms. WONG Sau Kuen

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

Suites 2206-08, 22/F
Devon House, Taikoo Place
979 King's Road
Quarry Bay
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

Codan Services Limited
Clarendon House, 2 Church Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Website

http://www.extrawell.com.hk

Stock Code

The Stock Exchange of Hong Kong Limited: 00858

Dear Shareholders

This is my first statement to make since assuming the chairmanship in December 2013. 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 2014.

CHAIRMAN'S STATEMENT

In the year under review, China's growth moderated with continued economic transformation, reflecting direction towards embracing sustainable and high-quality development in the long term. China's pharmaceutical industry entered the key stage of reform as the State's deepening policies on public hospitals and pharmaceutical distribution industries had substantially commenced with the aim of meeting the country's growing healthcare demand and expanding access to affordable, quality healthcare. China's pharmaceutical market presents challenges and opportunities to pharmaceutical enterprises amid the highly competitive landscape. With the relentless drive and commitment of our management team and staff at all levels, the Group was able to achieve turnover parallel to last year, delivered results and made significant progress with our strategic transition to move into the new factory premises at Jiu Tai, Changchun, which is currently under the GMP certification process.

The Group's profit for the year attributable to equity holders of the Company amounted to approximately HK$15.7 million, an increase of about 44% as compared to that of 2013.

Upon making a strategic decision in the development of the oral insulin project, the Group announced in March 2014 that the Group decided to dispose of its 51% shareholding interest in Smart Ascent Limited, being the Group's wholly-owned subsidiary holding the oral insulin operations, to a wholly-owned subsidiary of United Gene High-Tech Group Limited (stock code: 399) and would retain 49% equity interest of Smart Ascent Limited as an investment. The said disposal, if completed, would facilitate the pace of development of the oral insulin project in China and overseas, enabling the Group to enjoy any benefit from the future growth and success of Smart Ascent Limited with input of resources by the 51% equity holder as a new partner, and in addition, the cash payment and interest payments from the convertible bonds as generated from the consideration of the disposal can also enhance the Group's resources for development of its other existing businesses and capturing new profitable investment opportunities when they arise.

Looking forward, the year will be characterized by further elimination and consolidation of domestic pharmaceutical enterprises under influence of increase in breadth of the State's deepening reform policies, and competition will tend to favor those enterprises enjoying economy of scales and with nation's wide distribution networks. The combined driving forces of escalating government spending on medical care as a result of large and aging population and rising chronic disease incidence, people's increase in disposal income and rising health care awareness will support China's pharmaceutical industry to grow continuously in the years to come. The Group has prepared itself to thrive in the competition by leveraging the advancement in production capacity and capability in Changchun's new plant to enhance its products' competitiveness in the market place by intensifying pace of product research and development and extend market coverage by boosting penetration in rural markets and communities.

Despite the ever-changing market conditions, the Group has been well-positioned in face of market challenges and opportunities, striving to increase its operating efficiency and profitability and will stay with its strategy to develop quality pharmaceutical products by deploying resources in research and development and to exploit new products through collaborative relations with international enterprises to sustain long-term development and growth of the Group.

On behalf of the Board, I would like to express its appreciation to all those in the Group for their dedicated efforts and contribution to the Group during the past year and also our shareholders and business partners for their continuous support.

Dr. Xie Yi
Chairman

Hong Kong, 30 June 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overall Performance

In the year under review, the global economy became stabilized and improved but uncertainties persist in the global market place. China's economy grew 7.7 percent year on year in 2013, registering a remarkable growth rate among major economies though its growth slowed down slightly to 7.4 percent in the first quarter of 2014. China's acceleration in economic reform, with extensive and in depth measures brought by the central government, tend to be key drivers in promoting China's healthy, sustainable growth but also create ongoing and emerging challenges to the business enterprises.

The pharmaceutical industry in the PRC maintained its growth momentum alongside with both challenges and opportunities to pharmaceutical enterprises. The central government continued to deepen the healthcare reforms in which medical spending for the year increased by 13.3% to about RMB821 billion when compared to 2012. The pharmaceutical industry experienced a dynamic change and restructuring as more comprehensive and deepened reforms policies were implemented with the aim of providing the nation's citizens access to basic and quality medical services at reasonable price. These policies included, *inter alia*s, the implementation of new GMP to upgrade production quality and eliminate the non-compliance pharmaceutical enterprises, implementing more detailed policies to further optimize the drug tendering system of essential drugs and taking measures to regulate the drug promotion activities. The stricter policies and intensified market competition increased the production and operational costs which further squeezed industry profitability. In response to the highly competitive landscape and challenging operating environment, the Group stayed with its policies in continuously optimizing operational efficiencies through streamlining the business operations and flexibly adjusting its marketing and distribution strategies to achieve performance.

The Group's turnover and gross profit were about HK$150.7 million (2013: HK$151.1 million) and HK$40.2 million (2013: HK$46.7 million) respectively, representing a decrease of about 0.3% and 14.0% as compared with that of last financial year. The decrease in gross profit was mainly due to price adjustment and rising direct costs of sales. A significant gain on disposals of property, plant and equipment of the Group's two plants in Changchun of about HK$57.7 million was recorded, which was partly balanced off by (i) rising operating costs in aggregate of about HK$13 million comprising an impairment provision for trade receivables of about HK$6.7 million and plant relocation and associated expenses of about HK$2.5 million (ii) impairment provision for loan and interest receivables of about HK$10.7 million on investment in Shanghai Longmark; (iii) imputed interests of the Company's convertible bonds of about HK$6.9 million and (iv) increase in tax expenses arising from the aforesaid gain on disposals of about HK$14.4 million.

The Group's profit for the year attributable to the equity holders of the Company was about HK$15.7 million, representing an increase of about HK$4.8 million as compared to profit of about HK$10.9 million in 2013.

Business Review (Continued)

Turnover and Operating Results

Imported Pharmaceutical Sector

The implementation of new good supply practice for pharmaceutical products, and the strengthening administrative measures on drug pricing by the PRC's National Development and Reform Commission exerted tremendous pressure on sales and gross margin of the segment. However, the Group was able to get through the challenge with the assuring quality of its imported pharmaceutical products and management efforts in unswerving execution of marketing strategy to expand its market share. Sales increased by about 8.1% from about HK$89.6 million last year to about HK$96.9 million this year as a result of double-digit growth of skin treatment drugs both in terms of volume and value.

Segment results decreased from about HK$19.3 million in 2013 to about HK$14.4 million in 2014, however, taking into account of a non-recurring item arising from the write-back of provision of direct expenses attributable to sales of about HK$4.0 million in 2013, the segment results decreased slightly from about HK$15.3 million to about HK$14.4 million, representing a decrease of about HK$0.9 million or 5.9%.

Manufactured Pharmaceutical Sector

Sales of self-manufactured pharmaceutical products decreased by approximately 12.5% to about HK$53.8 million when compared to about HK$61.4 million in 2013. This was primarily attributable to price reduction on products to capture market share and in particular, one of the Group's main product included in the essential drug list which led to lowering in product price.

In face of massive healthcare reforms policies and intensive market competition, management was committed to cost control in order to curb with rising operating costs and to make adjustments in its strategies to secure its market share. Notwithstanding the cost savings of expenses on symposium and seminars, there had been decrease in gross profit due to the rising production costs and lowering product gross margin resulting from product price reduction to cope with intensified competition.

During the year, management encouraged cash sales to its customers by granting discount on sales, aiming at shortening the collection period and boosting sales, nevertheless, such sales unexpectedly led to slower settlement from certain customers for the past due accounts. Although management considered that there had not been any significant change in the credit quality of such receivables, an impairment provision on trade receivables of about HK$7.3 million had been made according to the Group's accounting policies. Upon disposal of the Group's two plants, additional relocation and associated expenses of about HK$2.5 million were incurred, whereas a significant gain on the disposals of about HK$57.7 million before tax was recognized which was partly balanced off by the increase in operating expenses as aforesaid mentioned and an impairment provision for loan and interest receivables on an investment in a healthcare management company, namely Shanghai Longmark of about HK$10.7 million. As a result, segment profit increased from about HK$2.5 million by about HK$31.0 million to HK$33.5 million as compared to 2013.

As a new plant with more advanced production facilities has been set up in Jiu Tai, Changchun, pending for GMP certification, the relocation to this new production site in early 2014 has provided an opportunity for the Group to enhance its production capacity and quality, and increase its core competitiveness. The Group believes that the new plant, building on economies of scale and enhanced operating efficiency, will foster a sustainable and long term development of the Group amidst the competitive market.

Business Review (Continued)

Turnover and Operating Results (Continued)

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 the write-off of HK$2 million as due to a non-controlling interest and a foreign exchange gain of about HK$0.6 million on completion of the Group's acquisition of its 49% interest in Smart Ascent Limited despite more research and development expenses incurred during the year.

Selling and Distribution Expenses

Selling and distribution expenses of the Group increased from about HK$9.5 million in 2013 to about HK$15.4 million in 2014, representing an increase of about HK$5.9 million or 62.1%. Although adjustment in marketing strategy reduced symposium expenses by about HK$1.4 million, the execution of cash sales strategy originally intended to boost sales and shorten the customers' collection period had unexpectedly led to slower settlement from certain customers for past-due accounts which increased the impairment provision by about HK$7.3 million in accordance with the Group's accounting policies. Management had taken measures to adjust its marketing strategy in order to maintain a good balance for accommodation the benefits and potential disadvantages to drive sales growth and collection on receivables.

Administrative Expenses

Administrative expenses of the Group increased from about HK$27.9 million in 2013 to about HK$34.2 million in 2014, representing an increase of about HK$6.3 million or 22.5%. However, when taking into account expenses of non-recurring nature including professional fee provided for the disposal of 51% interest in Smart Ascent Limited of about HK$1.2 million, loss on disposal of fixed assets on relocation of Hong Kong Headquarters of about HK$0.3 million, costs and associated expenses incurred for Changchun plants relocation of about HK$2.5 million, and after accounting for foreign exchange gain of about HK$0.6 million arising from acquisition of 49% non-controlling interest in Smart Ascent Limited as completed in July 2013, the Group's administrative expenses would be about HK$30.8 million; an increase of about HK$2.9 million or 10.4% when compared to 2013 which was mainly due to increase of rental expenses of about HK$0.8 million, depreciation and amortization charges for the new factory premises in Changchun of about HK$1.0 million and staff costs of about HK$1.0 million.

Research and Development Expenses

Increase in research and development expenses from about HK$3.3 million in 2013 to about HK$4.1 million in 2014 was mainly attributable to more expenses recognized in relation to the clinical trial of oral insulin.

Other Revenues

Other revenues increased from about HK$5.9 million in 2013 to about HK$62.0 million in 2014. This was mainly due to the write-off of HK$2 million as due to a non-controlling interest on completion of the Group's acquisition of its 49% interest in Smart Ascent Limited and gain on disposal of property, plant and equipment of about HK$57.7 million in relation to Changchun plants.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

The outlook for the global economy in 2014 is positive as there have been much impetus for growth coming from the developed countries. Although recent economic results have shown downsized risks of China's economic growth, it is estimated that the growth will be at moderate rate of 7.5% similar to 2013 and that the central government will continue to commit resources to invest in the healthcare reforms in accordance with the Twelfth Five-Year Plan. With anticipation that the State's policies will be more comprehensive and stricter to deepen the transformation of healthcare infrastructure and to improve public insurance coverage, coupled with increase in people's income level and health awareness, the demand for quality pharmaceutical products in China is expected to increase further in the years to come.

The Group has been well-positioned in face of market challenges and opportunities and is cautiously optimistic and confident that the advancement of production capacity and capability of its new production facilities will enhance its core competitiveness to capture greater market share and achieve better performance in the long run. The Group will stay with its strategy to develop quality pharmaceutical products by deploying resources in product research and development and to exploit new products through collaborative relations with international enterprises to sustain long-term development and growth of the Group.

While the Group is committed to allocate its best resources to the oral insulin project, as announced in March 2014, the Group entered into a sales and purchase agreement with Clear Rich International Limited, a wholly-owned subsidiary of United Gene High-Tech Group Limited (stock code 399), a listed company on the Stock Exchange, to dispose of the Group's 51% equity interest in Smart Ascent Limited, the holding company of the Group's oral insulin operations, which has yet to be completed as at the date of this report. Assuming the said disposal be completed, the Group will still hold 49% equity interest in Smart Ascent Limited, thus enabling it to enjoy any benefit from the future growth and success of Smart Ascent Limited with input of resources by the 51% equity holder as a new partner, in the development of the oral insulin project. The cash payment of HK$65 million and the interest payments of HK$25 million per annum for the convertible bonds of 7 years maturity, generated from the consideration of the disposal can also enhance the resources the Group may deploy to the Group's other existing pharmaceutical businesses to improve their performances and to seize profitable investment opportunities, thus fostering the Group's long-term growth and development.

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 2014, the Group had total cash and bank balances (including pledged bank deposits) of about HK$123.5 million (2013: HK$156.2 million), representing a decrease by approximately 20.9%.

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$19.8 million (2013: HK$19.7 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.

FINANCIAL REVIEW (CONTINUED)

Liquidity and Financial Resources (Continued)

The Group's total borrowing over total assets ratio as at 31 March 2014 was 0.22 (2013: 0.09), calculated based on the Group's total assets of about HK$720.3 million (2013: HK$717.6 million) and total debts of about HK$159.5 million (2013: HK$63.2 million), comprising convertible bonds of about HK$121.1 million (2013: HK$ Nil), amounts due to present and former non-controlling interests of subsidiaries of about HK$30.9 million (2013: HK$57.2 million) and loan from a non-controlling interest of about HK$7.5 million (2013: HK$6.0 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 2014, the Group had 312 employees (2013: 294). Staff costs (including directors' emoluments) for the year ended 31 March 2014 amounted to approximately HK$30.3 million (2013: approximately HK$27.4 million), which was mainly due to increase in headcount and annual salary adjustment.

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 ("Effective Date") 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 2014, no share option has been granted under the Scheme.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical Details of Directors and Senior Management

Executive Directors

Dr. Xie Yi Ph.D. (aged 51)

Chairman, Chief Executive Officer and Executive Director

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 chairman and chief executive officer of the Company responsible for the strategic planning and development and 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 55)

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 (the "Stock Exchange"), from June 2004 to June 2006. Dr. Lou is currently a director and general manager of various companies owned by Dr. Xie Yi and Dr. Mao Yumin, former chairman and executive director.

Mr. Cheng Yong (aged 51)

Executive Director

Mr. Cheng Yong is a practicing pharmacist in the PRC. Mr. Cheng obtained his Master of Pharmacology from Second Military Medical University in the PRC. He has been engaged in pharmacology and research study for over ten years and has extensive experience in the aspects of research and drug development. Since 2001, he has been working in the capacity of director and general manager for various companies owned by Dr. Xie Yi and Dr. Mao Yumin, former chairman and executive director. Mr. Cheng is currently a director of two PRC subsidiaries of United Gene High-Tech Group Limited, a company listed on the Stock Exchange.

Ms. Wong Sau Kuen (aged 51)

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 Authorized Representative of the Company.

Ms. Wong has been appointed as the joint company secretary of the Company with effect from 8 January 2014.

Biographical Details of Directors and Senior Management (Continued)

Executive Directors (Continued)

Mr. Liu Kwok Wah (aged 52)

Executive Director

Mr. Liu Kwok Wah joined the Company in November 2008 as the company secretary and financial controller and was appointed as executive director in December 2013. Mr. Liu has become the joint company secretary with effect from 8 January 2014. Mr. Liu is a fellow member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. Mr. Liu holds a Master's degree in Business Administration from The Open University of Hong Kong and has more than 20 years of experience in accounting and financial management. Prior to joining the Company, he had worked for international accounting firms and several listed companies in Hong Kong.

Independent Non-executive Directors

Mr. Fang Lin Hu (aged 76)

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-recognized scientist who has extensive experience in scientific research and management. Mr. Fang was appointed as an independent non-executive director in 2001.

Mr. Xue Jing Lun (aged 80)

Independent Non-executive Director

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

Ms. Jin Song (aged 43)

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Senior Management

Dr. Wen Ming (aged 53)

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.

Mr. Chan Lian Bang (aged 59)

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.

Ms. Wu Hong (aged 42)

Senior Finance Manager

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

CORPORATE GOVERNANCE REPORT

A. Corporate Governance Practices

Corporate Governance

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

In the opinion of the directors, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report ("Code Provisions") 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"). During the year ended 31 March 2014, the Company had adopted and applied the Code Provisions, except for certain 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.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same person. Dr. Xie Yi has been re-designated as the Chairman of the Board upon resignation of Dr. Mao Yumin on 5 December 2013, and since then Dr. Xie Yi has served as the Chairman and Chief Executive Officer of the Company. As all major decisions of the Company are made in consultation with members of the Board, the Company believes that there is adequate balance of power and authority in place though vesting the roles of both chairman and chief executive officer in the same person.

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.

A. Corporate Governance Practices (Continued)

Corporate Governance (Continued)

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 26 August 2013 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 five executive directors and three INEDs as follows:

Executive Directors

Dr. Xie Yi *(Chairman and Chief Executive Officer)*
Dr. Lou Yi
Mr. Cheng Yong
Ms. Wong Sau Kuen
Mr. Liu Kwok Wah

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.

C. Board of Directors (Continued)

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 2014, 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 (resigned on 5 December 2013)	5/7
Dr. Xie Yi	7/7
Dr. Lou Yi	7/7
Mr. Cheng Yong (appointed on 5 December 2013)	2/7
Ms. Wong Sau Kuen	7/7
Mr. Liu Kwok Wah (appointed on 13 December 2013)	1/7
Mr. Fang Lin Hu	7/7
Mr. Xue Jing Lun	7/7
Ms. Jin Song	6/7

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. Xie Yi serves as the Chairman and Chief Executive Officer of the Company. This is a deviation from Code Provision A.2.1, which requires the roles of chairman and chief executive officer should be separate and should not be performed by the same person. As all major decisions of the Company are made in consultation with members of the Board, the Company believes that there is adequate balance of power and authority in place though vesting the roles of both chairman and chief executive officer in the same person.

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 judgment 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. Xie Yi (Chairman), Chief Executive Officer 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 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 Board has adopted a Board Diversity Policy in 2013 and the Committee will help implement and monitor the policy. To enhance the effectiveness of the Board, selection of candidates will be based on a range of perspectives, including but not limited to, gender, age, cultural and educational background, or professional experience, skills and length of service. The Committee will review and discuss the measurable objectives for Board diversity on an annual basis and will make recommendation to the Board for its consideration and approval.

The Committee held three meetings during the year, and all members had attended the meetings to review the structure, size and composition of the Board and to assess the independence of INEDs. During the year, the Nomination Committee had made recommendations as to (i) re-election of Dr. Xie Yi as executive director and Mr. Fang Lin Hu as independent non-executive director by shareholders at the 2013 Annual General Meeting and (ii) appointment of Mr. Cheng Yong and Mr. Liu Kwok Wah as executive directors of the Company.

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 2014, 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	2/2
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 authorized 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 2014 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 and none of them is included in the note as the five highest paid individuals:

	Number of individuals	
	2014	2013
Emolument band HK$Nil to HK$1,000,000	**3**	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 2014, two 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	2/2
Mr. Xue Jing Lun	2/2
Ms. Jin Song	2/2

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 2014 is as follows:

	HK$'000
Audit services	695
Non-audit services	145

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 33 to 35 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 2014, 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 2014, 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 organized 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 organized 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 (resigned on 5 December 2013)	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
Mr. Cheng Yong (appointed on 5 December 2013)	Attending induction course, 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
Mr. Liu Kwok Wah (appointed on 13 December 2013)	Attending induction course, 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. Joint Company Secretaries

Mr. Liu Kwok Wah was appointed the company secretary in November 2008 and has become a joint company secretary of the Company upon the appointment of Ms. Wong Sau Kuen ("Ms. Wong"), an executive director of the Company, as a joint company secretary of the Company with effect from 8 January 2014. Mr. Liu has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 March 2014.

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 and 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 2013 Annual General Meeting, and Dr. Xie Yi and Dr. Lou Yi, executive directors 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.

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 Suites 2206–08, 22/F, Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

P. Constitutional Documents

There were no changes in the Company's constitutional documents during the year ended 31 March 2014.

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 2014.

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 2014 are set out in the consolidated statement of comprehensive income on page 36.

The state of affairs of the Group as at 31 March 2014 is set out in the consolidated statement of financial position on page 37.

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 108.

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

Details of movements in the share capital of the Company during the year are set out in note 34 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 38 to the financial statements.

Distributable Reserves

As at 31 March 2014, the reserves of the Company available for cash distribution and/or distribution in specie amounted to HK$111,893,000 which was computed in accordance with the Bermuda Companies Act. In addition, the Company's share premium account with a balance of HK$196,906,000 as at 31 March 2014 may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

For the year ended 31 March 2014, turnover attributable to the Group's five largest customers accounted for approximately 71% of the Group's turnover, and turnover attributable to the Group's largest customer accounted for approximately 39% of the Group's turnover.

For the year ended 31 March 2014, purchases attributable to the Group's five largest suppliers accounted for approximately 90% of the Group's purchases and purchases attributable to the Group's largest supplier accounted for approximately 43% 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 (resigned on 5 December 2013)
Xie Yi (re-designated as Chairman on 5 December 2013)
Lou Yi
Wong Sau Kuen
Cheng Yong (appointed on 5 December 2013)
Liu Kwok Wah (appointed on 13 December 2013)

Independent non-executive directors:

Fang Lin Hu
Xue Jing Lun
Jin Song

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, Underlying Shares and Debentures

At 31 March 2014, 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
Xie Yi	(a)	Through controlled corporations	80,000,000	3.35%
Cheng Yong		Directly beneficially owned	830,000	0.03%
	(b)	Through controlled corporation	1,060,000	0.05%
		Held by spouse	5,090,000	0.21%
			6,980,000	0.29%

Notes:

(a) The entire issued share capital of JNJ Investments Ltd 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 Ease Gold Investments Limited, which is wholly owned by Dr. Xie Yi.

(b) The shares are owned by Merchandise Holdings Limited (a company incorporated in the British Virgin Islands) which is wholly owned by Mr. Cheng Yong.

Save as disclosed above, as at 31 March 2014, 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, Underlying Shares and Debentures

At 31 March 2014, 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
United Gene High-Tech Group Limited ("United Gene")	(a)	Directly beneficially owned	1,350,000,000	L	56.49%
Mao Yumin	(b)	Directly beneficially owned	418,100,000	L	17.49%
	(c)	Through controlled corporations	80,000,000	L	3.35%
			498,100,000	L	20.84%
Ong Cheng Heang	(d)	Directly beneficially owned	500,000,000	L	20.92%
	(e)	Directly beneficially owned	400,000,000	S	16.74%

Notes:

(a) Among these 1,350,000,000 shares, (i) 450,000,000 shares represent the shares to be transferred from JNJ Investments Ltd ("JNJ Investments") to United Gene pursuant to the sale and purchase agreement entered into between Dr. Mao, Yumin ("Dr. Mao"), JNJ Investments and United Gene on 27 April 2013 (the "UG SP Agreement") in connection with the proposed acquisition of shares and the zero coupon 20 years convertible bonds for an aggregate principal amount of HK$641,300,000 issued by the Company on 16 July 2013 (the "Bonds") by United Gene; (ii) 500,000,000 shares represent the shares to be allotted and issued to United Gene upon exercise in full by United Gene of the conversion rights under the Bonds to Dr. Mao and to be transferred to United Gene pursuant to the UG SP Agreement; and (iii) 400,000,000 shares represent the shares to be allotted and issued to United Gene upon exercise in full by United Gene of the conversion rights attached to the Bonds to be issued to Mr. Ong Cheng Heang ("Mr. Ong") and to be transferred to Dr. Mao pursuant to the subscription agreement entered into by Dr. Mao and Mr. Ong on 28 February 2013 (the "Subscription Agreement") and to be further transferred to United Gene by Dr. Mao pursuant to the UG SP Agreement.

(b) Among these 498,100,000 shares, 400,000,000 shares represent the conversion shares to be allotted and issued to Dr. Mao upon exercise in full by Dr. Mao of the conversion rights attached to the Bonds to be issued to Mr. Ong and to be transferred to Dr. Mao upon the exercise of the call option in full by Dr. Mao pursuant to the Subscription Agreement.

(c) The entire issued share capital of JNJ Investments 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, which is wholly owned by Dr. Mao.

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

Notes: (Continued)

(d) Among these 500,000,000 shares, (i) 100,000,000 shares represent shares issued by the Company on 5 August 2013 upon exercise by Mr. Ong at the conversion price of the conversion rights attached to the Bonds with principal amount of HK$64,130,000, and (ii) 400,000,000 shares represent the conversion shares to be allotted and issued to Mr. Ong upon exercise in full by Mr. Ong at the conversion price of the conversion rights attached to the Bonds with the principal amount of HK$256,520,000.

(e) These 400,000,000 shares represent the conversion shares to be allotted and issued to Dr. Mao upon exercise in full by Dr. Mao of the conversion rights attached to the Bonds to be issued to Mr. Ong and to be transferred to Dr. Mao upon the exercise of the call option in full by Dr. Mao pursuant to the Subscription Agreement.

Save as disclosed above, as at 31 March 2014, no person, other than certain directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" 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) Disposal of 51% interest in Smart Ascent Limited ("Smart Ascent")

Prior to 16 July 2013, the Group via its wholly owned subsidiary Extrawell (BVI) Limited ("EBVI") owned 51% interest in Smart Ascent which is the holding company of the Group's oral insulin operations. EBVI completed the acquisition of the remaining 49% of Smart Ascent from Mr. Ong Cheng Heang ("Mr. Ong"), and the details of acquisition are set out in note (b) below.

On 17 March 2014, EBVI entered into a conditional sale and purchase agreement with Clear Rich International Limited ("Clear Rich") in connection with the proposed disposal (the "Disposal") of the 5,100 shares in Smart Ascent at a consideration of HK$780,000,000 (the "Disposal Agreement"). Clear Rich is a company incorporated in British Virgin Islands and a wholly owned subsidiary of United Gene High-Tech Group Limited ("United Gene"), the shares of which are listed on The Stock Exchange of Hong Kong Limited.

Pursuant to the Disposal Agreement, the consideration of HK$780,000,000 will be satisfied by (i) cash payment of HK$65,000,000 and (ii) the issue by United Gene of 7-year term, 3.5% interest bearing convertible bonds as to the principal amount of HK$715,000,000 at the conversion price of HK$2.5 each, if fully converted, 286,000,000 new shares of United Gene will be issued.

CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Disposal of 51% interest in Smart Ascent Limited ("Smart Ascent") (Continued)

The Disposal constituted a major transaction of the Company under Chapter 14 of the Listing Rules. At the time of entering into the Disposal Agreement, United Gene holds approximately 19% of shareholding of the Company and is hence a connected person of the Company. The Disposal, the entering into the Disposal Agreement and the transactions contemplated thereby constitute a connection transaction of the Company under Chapter 14A of the Listing Rules, which is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Further details regarding the Disposal are disclosed in the joint announcements of the Company and United Gene dated 18 and 19 March 2014, and the Company's circular dated 27 June 2014. The Disposal is conditional, among others, the obtaining of the approval at the respective special general meetings to be held by the Company and United Gene on 15 July 2014 and 16 July 2014.

(b) Completion of acquisition of 49% minority interest in Smart Ascent

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 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", and together with the 2007 Agreement, collectively referred to the "Acquisition Agreement") to amend certain terms and conditions of the 2007 Agreement, in particular, the consideration has been revised to HK$660,000,000 (the "Consideration") which shall be satisfied by (i) cash payment of HK$18,700,000 and (ii) the Company issuing 20-year term, zero-coupon convertible bonds as to the principal amount of HK$641,300,000 (the "Bonds"), 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 constituted 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 the transaction under the Sub-sale Agreement with Mr. Ong, the Acquisition constituted a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Acquisition was approved in a special general meeting held on 4 July 2013, and the Acquisition Agreement was completed on 16 July 2013 upon the settlement of the Consideration by, amongst others, the Company issuing the Bonds for an aggregate principal amount of HK$641,300,000 to Mr. Ong and Dr. Mao each of principal amount of HK$320,650,000.

Details regarding the Acquisition are disclosed in the Company's announcements dated 27 February 2013, 4 July 2013 and 16 July 2013, and the circular dated 18 June 2013.

Connected and Related Party Transactions (Continued)

(c) Settlement of amount due from Smart Ascent Vendors and amount due to Fosse Bio Vendor

Prior to the Group acquiring the 51% interest in Smart Ascent from the then shareholders Mr. Ong and Ms. Wu Kiet Ming ("Smart Ascent Vendors") in the year 2004, two installments in aggregate of HK$31,780,000, being the third and fourth installment each of HK$12,000,000 and HK$19,780,000 of the consideration for acquiring from Fordnew Industrial Limited ("Fosse Bio Vendor") its holding of 51% interest in Fosse Bio-Engineering Development Limited ("Fosse Bio"), a 51% owned subsidiary of Smart Ascent, remain unpaid by Smart Ascent Vendors. The receivable from Smart Ascent Vendors and the payable to Fosse Bio Vendor each of respectively HK$31,780,000 were recorded in the books of Smart Ascent.

The receivable of HK$31,780,000 from Smart Ascent Vendors was settled on 16 July 2013 by way of set-off against (i) cash payment of HK$18,700,000 pursuant to the Acquisition as mentioned in note (b) above and (ii) amount due to Mr. Ong of about HK$12,787,000, and with the balance of set-off of about HK$293,000 by remittance from Mr. Ong.

Given the progress of the oral insulin project and at the request of Fosse Bio Vendor, Mr. Ong agreed to pay the third installment of HK$12,000,000, which was settled in November 2013. The remaining of HK$19,780,000 will be paid by the Group to Fosse Bio Vendor as and when it is due.

(d) Advances made to Smart Ascent

EBVI has made advances to Smart Ascent since completion of its acquisition of 51% equity interest in August 2004. The advances are unsecured, non-interest-bearing and repayable on demand. Smart Ascent has become a wholly owned subsidiary of EBVI since 16 July 2013 as stated in note (b) above, and prior to that the outstanding balance of these advances was approximately HK$16,473,000 (As at 31 March 2013: approximately HK$16,194,000).

(e) 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 29 October 2013 and 27 March 2014, Fordnew made drawdown notices for an aggregate amount of approximately HK$1,793,000 to Smart Ascent, of which about HK$1,523,000 was on-lent to Fosse Bio for making progress payment to the project administrator in connection with the service contract for the clinical trial and payment for clinical trial expenses incurred in the year under review.

On 7 April 2014, Fordnew made a further drawdown notice for the sum of approximately HK$3,059,000 to Smart Ascent so that it could on-lend Fosse Bio for making progress payment to the project administrator in connection with the service contract for the clinical trial.

Connected and Related Party Transactions (Continued)

(f) Investments in 龍脈(上海)健康管理服務有限公司 ("Shanghai Longmark")

On 25 April 2013, Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd. ("JECP"), a wholly-owned subsidiary of the Company, entered into an agreement with 東龍脈(上海)健康管理服務有限公司 ("東龍脈"), an indirect wholly-owned subsidiary of United Gene High-Tech Group Limited ("United Gene"), the shares of which are listed on The Stock Exchange of Hong Kong Limited, and Dr. Xie Yi ("Dr. Xie"), in which Dr. Xie agreed to subscribe RMB7,490,000 for the registered capital of Shanghai Longmark, an indirect non-wholly owned subsidiary of United Gene, by way of capital injection (the "Subscription"). As Shanghai Longmark is an associate of the Company at the time of entering into the transaction, the Subscription does not constitute a transaction that is subject to the reporting and announcement requirements under Chapters 14 and 14A of the Listing Rules.

The Subscription was completed in August 2013, and the registered capital of Shanghai Longmark increased from RMB12,500,000 to RMB19,990,000. The Group's equity interest in Shanghai Longmark thereby was diluted from 20% to 12.51%, and the respective shareholding of 東龍脈 and Dr. Xie each was 50.02% and 37.47%.

The Subscription constitutes a connected transaction of United Gene by virtue of Dr. Xie's interests in a controlling shareholder of United Gene. Details of the Subscription are set out in United Gene's announcement dated 25 April 2013.

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 2014.

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 2014 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. Xie Yi
Chairman

Hong Kong, 30 June 2014

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 36 to 107, which comprise the consolidated and company statements of financial position as at 31 March 2014, 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 2014 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 Matter

Included in Intangible Assets as at 31 March 2014 is the technological know-how with the carrying value of approximately HK$284,260,000 (2013: HK$284,260,000) (the "Know-how") in relation to an oral insulin product (the "Product") and the exclusive right for the commercialization of the Product owned by the Group. The Know-how is held by an indirect subsidiary of the Group, Fosse Bio-Engineering Development Limited ("Fosse Bio"). The Group had completed the acquisition of the remaining 49% interest in Smart Ascent in July 2013. Smart Ascent has been a wholly owned subsidiary of the Group since then. 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 2014. 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.

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 asset as mentioned in the above paragraph has been adequately disclosed in the consolidated financial statements. Our opinion is not qualified in respect of this matter.

East Asia Sentinel Limited
Certified Public Accountants

So Kwok Keung Keith
Director
Practising Certificate No. P1724

Hong Kong, 30 June 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	7	**150,673**	151,068
Cost of sales		**(110,512)**	(104,374)
Gross profit		**40,161**	46,694
Other revenues	8	**62,030**	5,933
Selling and distribution expenses		**(15,420)**	(9,516)
Administrative expenses		**(34,151)**	(27,888)
Research and development expenses	9	**(4,084)**	(3,251)
Impairment on loan and interest receivables	21	**(10,747)**	—
Share of results of an associate	21	**—**	(3,086)
Profit from operations		**37,789**	8,886
Finance costs	33	**(6,893)**	—
Profit before taxation	9	**30,896**	8,886
Taxation	10	**(14,537)**	(706)
Profit for the year		**16,359**	8,180
Other comprehensive income/(expenses)			
Item that will be reclassified to profit or loss			
Exchange realignment	35(b)	**(649)**	35
Total comprehensive income for the year		**15,710**	8,215
Profit for the year attributable to:			
Equity holders of the Company		**15,700**	10,876
Non-controlling interests		**659**	(2,696)
		16,359	8,180
Total comprehensive income attributable to:			
Equity holders of the Company		**15,181**	10,911
Non-controlling interests		**529**	(2,696)
		15,710	8,215
		HK cents	HK cents
Earnings per share for profit attributable to:			
Equity holders of the Company			
— Basic	14	**0.67**	0.47
— Diluted	14	**N/A**	N/A

The notes on pages 43 to 107 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investment properties	16	**1,674**	1,733
Property, plant and equipment	17	**172,978**	78,032
Prepaid land lease payments	18	**10,873**	22,537
Intangible assets	19	**286,067**	286,203
Available-for-sale investments	21	**—**	—
Interest in an associate	21	**—**	9,733
Amounts due from non-controlling interests	22	**5,267**	6,056
Amounts due from former non-controlling interests	22	**1,691**	—
Loan to a non-controlling interest	22	**7,790**	5,997
		486,340	410,291
CURRENT ASSETS			
Inventories	23	**9,225**	13,150
Trade receivables	24	**69,554**	74,805
Deposits, prepayments and other receivables	25	**31,712**	63,208
Pledged bank deposits	26	**19,819**	19,712
Cash and cash equivalents	27	**103,696**	136,450
		234,006	307,325
CURRENT LIABILITIES			
Trade and bill payables	28	**13,036**	13,898
Accruals and other payables	29	**67,990**	18,984
Amount due to a non-controlling interest	30	**20,674**	39,470
Tax payable		**14,898**	1,134
		116,598	73,486
NET CURRENT ASSETS		**117,408**	233,839
TOTAL ASSETS LESS CURRENT LIABILITIES		**603,748**	644,130

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Amounts due to non-controlling interests	30	**7,736**	17,702
Amounts due to former non-controlling interests	30	**2,514**	—
Loan from a non-controlling interest	30	**7,520**	5,997
Deferred income	31	**—**	37,037
Deferred tax liabilities	32	**102**	102
Convertible bonds	33	**121,078**	—
		138,950	60,838
NET ASSETS		**464,798**	583,292
CAPITAL AND RESERVES			
Share Capital	34	**23,900**	22,900
Reserves	35	**304,396**	361,447
Equity attributable to equity holders of the Company		**328,296**	384,347
Non-controlling interests		**136,502**	198,945
TOTAL EQUITY		**464,798**	583,292

Xie Yi
Director

Wong Sau Kuen
Director

The notes on pages 43 to 107 form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	20	**829,462**	193,353
CURRENT ASSETS			
Dividend receivables		**50,000**	—
Deposits, prepayments and other receivables	25	**221**	221
Cash and cash equivalents	27	**42,131**	44,849
		92,352	45,070
CURRENT LIABILITIES			
Accruals and other payables	29	**1,249**	1,241
NET CURRENT ASSETS		**91,103**	43,829
NON-CURRENT LIABILITIES			
Convertible bonds	33	**121,078**	—
NET ASSETS		**799,487**	237,182
CAPITAL AND RESERVES			
Share capital	34	**23,900**	22,900
Reserves	35	**775,587**	214,282
TOTAL EQUITY		**799,487**	237,182

Xie Yi
Director

Wong Sau Kuen
Director

The notes on pages 43 to 107 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Attributable to the equity holders of the Company										
	Share Capital	**Share premium**	**Capital reserve**	**Contributed surplus**	**Foreign currency translation reserve**	**Other reserve**	**Equity component convertible bonds**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(note 35(b)(i))	(note 35(b)(ii))	(note 35(b)(iii))	(note 35(b)(iv))	(note 35(b)(v))	(note 35(b)(vi))				
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
FOR THE YEAR ENDED 31 March 2014											
At 1 April 2013	**22,900**	**133,717**	**6,542**	**4,839**	**36,176**	—	—	**180,173**	**384,347**	**198,945**	**583,292**
Transactions with owners											
Recognition of equity component of convertible bonds	—	—	—	—	—	—	**514,362**	—	**514,362**	—	**514,362**
Conversion of convertible bonds	**1,000**	**63,189**	—	—	—	—	**(51,436)**	—	**12,753**	—	**12,753**
Acquisition of non-controlling interest in a subsidiary (note 20(c))	—	—	—	—	—	**(598,347)**	—	—	**(598,347)**	**(62,972)**	**(661,319)**
Total transactions with owners	**1,000**	**63,189**	—	—	—	**(598,347)**	**462,926**	—	**(71,232)**	**(62,972)**	**(134,204)**
Comprehensive income											
Profit for the year	—	—	—	—	—	—	—	**15,700**	**15,700**	**659**	**16,359**
Other comprehensive income											
Currency translation differences	—	—	—	—	**(519)**	—	—	—	**(519)**	**(130)**	**(649)**
Total comprehensive income	—	—	—	—	**(519)**	—	—	**15,700**	**15,181**	**529**	**15,710**
At 31 March 2014	**23,900**	**196,906**	**6,542**	**4,839**	**35,657**	**(598,347)**	**462,926**	**195,873**	**328,296**	**136,502**	**464,798**

The notes on pages 43 to 107 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**30,896**	8,886
Adjustments for:		
Amortization of intangible assets	**136**	472
Amortization of investment properties	**59**	60
Amortization of prepaid land lease payments	**615**	947
Depreciation of property, plant and equipment	**2,745**	2,617
Impairment on trade receivables	**10,215**	8,551
Impairment on loan and interest receivables	**10,747**	—
(Decrease) in allowance for inventories	**(439)**	(3)
(Gain) on disposals of property, plant and equipment	**(57,699)**	—
Share of loss in an associate	**—**	3,086
Reversal of impairment on trade receivables	**(3,530)**	(8,794)
Imputed interest	**6,893**	—
Interest on loan	**(622)**	(474)
Interest income	**(1,485)**	(1,241)
Operating (loss)/profit before changes in working capital	**(1,469)**	14,107
Decrease/(increase) in inventories	**4,364**	(167)
(Increase) in trade receivables	**(1,434)**	(969)
Decrease/(increase) in deposits, prepayments and other receivables	**31,496**	(2,393)
(Decrease)/increase in trade and bills payables	**(862)**	3,371
Increase/(decrease) in accruals and other payables	**49,006**	(3,900)
Cash generated from operations	**81,101**	10,049
Income tax paid	**(256)**	(876)
Interest income received	**1,485**	1,241
NET CASH GENERATED FROM OPERATING ACTIVITIES	**82,330**	10,414
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for investment in an associate	**—**	(3,086)
Proceeds from disposals of property, plant and equipment	**74,997**	—
Purchases of property, plant and equipment	**(139,266)**	(31,170)
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) in pledged bank deposits	**(107)**	(112)
NET CASH (USED IN) INVESTING ACTIVITIES	**(64,376)**	(16,742)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of additional interest in a subsidiary	**(20,020)**	—
(Increase) in amounts due from non-controlling interests and former non-controlling interests	**(2,695)**	(1,106)
(Decrease)/increase in amounts due to non-controlling interests and former non-controlling interests	**(24,725)**	3,778
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(47,440)**	2,672
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	**(29,486)**	(3,656)
EFFECT ON FOREIGN EXCHANGE RATE CHANGES	**(3,268)**	35
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**136,450**	140,071
CASH AND CASH EQUIVALENTS AT END OF YEAR	**103,696**	136,450
ANALYSIS OF THE CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**103,696**	136,450

The notes on pages 43 to 107 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 Suites 2206–08, 22/F, Devon House, Taikoo Place, 979 King's Road, Quarry Bay, 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 commercialization 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 respectively.

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. Basis of Preparation (Continued)

2.1 Amendments and interpretations to existing standards effective for the Group's financial year beginning on 1 April 2013 and relevant to the Group

In the current year, the Group has applied HKFRS that were issued by the HKICPA. The following standards/amendments are mandatory and relevant to the Group for the financial year beginning on 1 April 2013.

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 19 (Revised 2011)	Employee benefits
HKAS 27 (Revised 2011)	Separate financial statements
HKAS 28 (Revised 2011)	Investments in associates and joint ventures
HKFRS 7 (Amendment)	Financial instruments: Disclosures — offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated financial statements, joint arrangement and disclosure of interests in other entities: Transition guidance

The application of the above standards/amendments has had no material effect on the consolidated financial statements of the Group and the statement of financial position of the Company for the current and prior years.

HKAS 1 (Amendment), "Presentation of financial statements" regarding other comprehensive income. The amendment requires additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (i) items that will not be reclassified subsequently to profit or loss; and (ii) items that may be reclassified subsequently to profit or loss. The amendments have been applied retrospectively. The adoption of HKAS 1 (Amendment) has no significant impact on the Company's results and financial position.

HKAS 19 (Revised 2011), "Employee benefits" was revised in June 2011. The changes on the Group's accounting policies has been as follows: to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

HKAS 28 (Revised 2011), "Investments in associates and joint ventures", includes the requirements for joint ventures and associates to be equity accounted following the issue of HKFRS 11, which is consistent with the Group's existing policy.

HKFRS 7 (Amendment), "Financial instruments: Disclosures — Offsetting financial assets and financial liabilities", requires new disclosure requirements which focus on quantitative information about recognized financial instruments that are offset in the balance sheet, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

2. Basis of Preparation (Continued)

2.1 Amendments and interpretations to existing standards effective for the Group's financial year beginning on 1 April 2013 and relevant to the Group (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.

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.

HKFRS 13, "Fair value measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS.

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 annual periods beginning after 1 April 2014, 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
HKFRS 9, "Financial instruments"	No mandatory effective date yet determined but is available for immediate adoption
HKAS 32 (Amendments), "Financial instruments: Presentation — offsetting financial assets and financial liabilities"	1 January 2014
HKAS 36 (Amendments), "Impairment of assets"	1 January 2014
HKFRS 7 and HKFRS 9 (Amendments), " Mandatory effective date and transition disclosures"	1 January 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)

The Group is in the process of assessing the impact of these new and revised standards, amendments to standards and interpretations to existing standards and does not expect that there will be a material impact on the consolidated financial statements of the Group.

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 amortized 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.

HKAS 32 (Amendment), "Financial instruments: Presentation — Offsetting financial assets and financial liabilities" are the application guidance in HKAS 32. These amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. These amendments are not mandatory for the Group until 1 January 2014.

HKAS 36 (Amendments), "Impairment of assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. The amendment is not mandatory for the Group until 1 January 2014.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 recognizes 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 unrealized gains or losses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized 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 recognized 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 recognized 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 recognized 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 recognized at cost, and the carrying amount is increased or decreased to recognize 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 recognized 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 recognized in the statement of comprehensive income, and its share of the post-acquisition movements in other comprehensive income is recognized 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 recognize 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 recognizes 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 recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized 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 recognized 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 amortization and impairment losses. The categories of intangible assets are summarized as follows:

(i) Technological know-how

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

(ii) Gene invention rights

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

(iii) Goodwill

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

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

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

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

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

3. 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 recognized in the consolidated statement of comprehensive income.

(iii) Group entities

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

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

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

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

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

The 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 recognized 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 capitalized 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 recognized in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognized 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 recognized 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) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives financial assets in listed and unlisted equity securities that are either designated as available-for-sale or are not classified in any of the other categories. At each financial reporting period end subsequent to initial recognition, available-for-sale financial assets are measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale financial assets revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statement of comprehensive income with other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognized in the consolidated statement of comprehensive income and removed from the available-for-sale financial assets revaluation reserve.

Interest on available-for-sale financial assets calculated using the effective interest method is recognized in the consolidated statement of comprehensive income as part of other income.

Dividends on available-for-sale equity instruments are recognized in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Convertible bonds

The component of a convertible bond that exhibits characteristics of a liability is recognized as a liability in the consolidated statement of financial position, net of transaction costs. On issuance of a convertible bond, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not re-measured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.

If the conversion option of a convertible bond exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bond is measured at fair value using the Black-Scholes model and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognized as the derivative component is recognized as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bond based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognized. The portion of the transaction costs relating to the liability component is recognized initially as part of the liability. The portion relating to the derivative component is recognized immediately in the consolidated statement of comprehensive income.

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

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

(j) Inventories

Inventories comprise raw materials, work-in-progress and finished goods. Inventories are stated at the lower of cost and net realizable 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 realizable 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.

(k) Receivables

Receivables, including trade and other receivables, and amounts due from related parties are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of comprehensive income within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the consolidated statement of comprehensive income.

(l) 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.

(m) Payables

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

(n) Borrowings

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

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

3. Significant Accounting Policies (Continued)

(o) Provisions

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

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

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

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

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)

(q) Employee benefits

(i) Employee leave entitlements

Employees' entitlements to annual leave are recognized 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 recognized 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 organized by related governmental bodies (the "PRC plan").

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

(iii) Termination benefits

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

(r) Revenue recognition

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

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

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

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

Sundry income is recognized on an accrual basis.

3. Significant Accounting Policies (Continued)

(s) 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 recognized 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.

(t) Research and development expenditure

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

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

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

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

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

3. Significant Accounting Policies (Continued)

(u) 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 (2013: HK$284,260,000) which is not yet available for use. It also performs impairment review on the intangible assets in respect of the general pharmaceutical products and goodwill with the carrying amount of approximately HK$Nil and HK$1,807,000 respectively (2013: HK$136,000 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 realizable 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 realizable 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 recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(e) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalized its land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognized these land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and deferred income tax provisions in the periods in which such taxes have been finalized with local tax authorities.

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, amounts due from/(to) former non-controlling interest, 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 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.

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$'000	**Between 1 to 5 years** HK$'000	**Over 5 years** HK$'000	**Total** HK$'000
At 31 March 2014				
Trade and bills payables	**13,036**	**—**	**—**	**13,036**
Accruals and other payables	**67,990**	**—**	**—**	**67,990**
Amounts due to non-controlling interests	**20,674**	**7,736**	**—**	**28,410**
Amounts due to former non-controlling interests	**—**	**2,514**	**—**	**2,514**
Tax payable	**14,898**	**—**	**—**	**14,898**
Loan from a non-controlling interest	**—**	**7,520**	**—**	**7,520**
Convertible bonds	**—**	**—**	**121,078**	**121,078**
	116,598	**17,770**	**121,078**	**255,446**
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
Tax payable	1,134	—	—	1,134
Loan from a non-controlling interest	—	5,997	—	5,997
	73,486	23,699	—	97,185

5. Financial Risk Management (Continued)

(c) Liquidity risk (Continued)

The Company:

	Less than 1 year HK$'000	Between 1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 March 2014				
Accruals and other payables	**1,249**	**—**	**—**	**1,249**
Convertible bonds	**—**	**—**	**121,078**	**121,078**
	1,249	**—**	**121,078**	**122,327**
At 31 March 2013				
Accruals and other payables	1,241	—	—	1,241

(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 2014, 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$1,006,000 increase/decrease (2013: consolidated profit for the year would have been approximately HK$634,000 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 commercialization 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 2014 and 31 March 2013.

	Manufacturing		Trading		Gene development		Oral insulin		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Segment revenue										
Sales to external customers	**53,752**	61,424	**96,921**	89,644	**—**	—	**—**	—	**150,673**	151,068
Segment results	**33,481**	2,527	**14,446**	19,271	**(67)**	(67)	**(3,303)**	(4,586)	**44,557**	17,145
Interest income									**1,485**	1,241
Net unallocated expenses									**(8,253)**	(6,414)
Finance costs									**(6,893)**	—
Share of results of an associate									**—**	(3,086)
Profit before taxation									**30,896**	8,886
Taxation									**(14,537)**	(706)
Profit for the year									**16,359**	8,180
Segment assets	**253,835**	209,471	**106,249**	118,772	**6**	6	**311,898**	306,342	**671,988**	634,591
Unallocated assets									**48,358**	83,025
Total assets									**720,346**	717,616
Segment liabilities	**75,276**	50,260	**16,623**	19,277	**50**	50	**41,161**	31,634	**133,110**	101,221
Unallocated liabilities									**122,438**	33,103
Total liabilities									**255,548**	134,324
Depreciation and amortization	**3,316**	3,829	**109**	134	**—**	—	**—**	—	**3,425**	3,963
Unallocated depreciation and amortization									**130**	133
									3,555	4,096
Other non-cash expenses, other than depreciation and amortization:										
Impairment on trade receivables	**10,215**	8,551	**—**	—	**—**	—	**—**	—	**10,215**	8,551
(Reversal) of impairment on trade receivables	**(3,353)**	(8,675)	**(177)**	(119)	**—**	—	**—**	—	**(3,530)**	(8,794)
Impairment on loan and interest receivables	**10,747**	—	**—**	—	**—**	—	**—**	—	**10,747**	—
(Gain) on disposals of property, plant and equipment	**(57,691)**	—	**(8)**	—	**—**	—	**—**	—	**(57,699)**	—

7. Turnover

	2014 HK$'000	2013 HK$'000
Manufacturing of pharmaceutical products	**53,752**	61,424
Trading of pharmaceutical products	**96,921**	89,644
	150,673	151,068

8. Other Revenues

	2014 HK$'000	2013 HK$'000
Exchange gain	—	2
Interest income	**1,485**	1,241
Interest on loan	**622**	474
Gains on disposal of property, plant and equipment	**57,699**	—
Rental income	**224**	222
Waiver of amount due to a former non-controlling interest of a subsidiary	**2,000**	—
Sundry income	—	3,994
	62,030	5,933

9. Profit Before Taxation

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

	2014 HK$'000	2013 HK$'000
Amortization of prepaid land lease payments	**615**	947
Amortization of investment properties	**59**	60
Amortization of intangible assets	**136**	472
Auditors' remuneration	**695**	670
Cost of sales*	**110,512**	104,374
Depreciation of property, plant and equipment	**2,745**	2,617
(Decrease) in allowance for inventories	**(439)**	(3)
Impairment on trade receivables	**10,215**	8,551
Reversal of impairment on trade receivables	**(3,530)**	(8,794)
Waiver of amount due to a former non-controlling interest of a subsidiary	**(2,000)**	—
Impairment on loan and interest receivables	**10,747**	—
(Gain) on disposals of property, plant and equipment	**(57,699)**	—
Operating lease charges in respect of land and buildings	**2,493**	1,919
Research and development expenses**	**4,084**	3,251
Staff cost (including directors' emoluments)		
— Salaries, bonus and allowances	**26,590**	24,688
— Retirement benefits scheme contributions	**3,740**	2,669

Note:

* Cost of sales included staff cost and depreciation of property, plant and equipment of approximately HK$7,815,000 (2013: HK$8,810,000) for the year.

** Research and development expenses incurred relating to oral insulin project for the year were HK$3,272,000 (2013: HK$2,431,000) and the amounts incurred on other projects for the year were HK$812,000 (2013: HK$820,000).

10. Taxation

Taxation in consolidated statement of comprehensive income represents:

	2014 HK$'000	2013 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	110	82
Under/(Over)-provision in prior years	1	(5)
	111	77
Current tax — Overseas		
Provision for the year	11,949	628
(Over)/under-provision in prior years	(1)	1
	11,948	629
PRC land appreciation tax ("LAT")	2,478	—
Income tax charge	14,537	706

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 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%.

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT, and the Detailed Implementation Rules on the Provision Regulations of the PRC on LAT, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value.

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:

	2014 HK$'000	2013 HK$'000
Profit before taxation	**30,896**	8,886
Tax at the statutory tax rates applicable to the respective tax jurisdictions	**6,127**	(1,126)
Tax effect on expenses not deductible	**7,452**	2,590
Tax effect on income not taxable	**(1,489)**	(564)
Tax effect of temporary differences not recognized	**(33)**	(209)
Over-provision in prior years	**—**	(4)
LAT	**2,478**	—
Others	**2**	19
Income tax charge	**14,537**	706

11. Directors' Emoluments and the Five Highest Paid Individuals

(a) Directors' emoluments

	Fee		Salaries, bonus and other benefits		Pension scheme contributions		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK'000	**2014 HK$'000**	2013 HK$'000
Name of director								
Mao Yumin *(note 1)*	**40**	40	**340**	488	**—**	—	**380**	528
Xie Yi	**40**	40	**1,054**	975	**—**	—	**1,094**	1,015
Lou Yi	**40**	40	**363**	325	**—**	—	**403**	365
Cheng Yong *(note 2)*	**—**	—	**148**	—	**—**	—	**148**	—
Wong Sau Kuen	**40**	40	**865**	568	**15**	15	**920**	623
Liu Kwok Wah *(note 3)*	**—**	—	**275**	—	**5**	—	**280**	—
Fang Lin Hu	**40**	40	**—**	—	**—**	—	**40**	40
Xue Jing Lun	**40**	40	**—**	—	**—**	—	**40**	40
Jin Song	**40**	40	**—**	—	**—**	—	**40**	40
	280	280	**3,045**	2,356	**20**	15	**3,345**	2,651

Notes:

(1) Resigned on 5 December 2013
(2) Appointed on 5 December 2013
(3) Appointed on 13 December 2013

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 two (2013: three) directors whose emoluments are shown in note 11(a). The emoluments paid to the remaining three individuals (2013: two) including a director appointed during the year ended 31 March 2014, are as follows:

	2014 HK$'000	2013 HK$'000
Salaries and allowance	1,989	1,589
Pension scheme contributions	30	15
	2,019	1,604

	Number of individuals	
	2014	2013
Emolument band		
HK$Nil to HK$1,000,000	3	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 organized 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. Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the Company is dealt with in the statement of comprehensive income of the Company to the extent of HK$35,190,000 (2013: loss attributable to equity holders of HK$6,090,000).

14. Earnings Per Share

Basic

The calculation of the basic earnings per share is based on the profit attributable to the Company's equity holders of approximately HK$15,700,000 (2013: profit attributable to the Company's equity holders of approximately HK$10,876,000) and on the weighted average of 2,355,479,452 (2013: 2,290,000,000) ordinary shares in issue during the year.

Diluted

No diluted earnings per share has been presented as the exercise of the outstanding convertible bonds issued by the Company in July 2013 would result in an increase in earnings per share (i.e. anti-dilutive). The Company had no potential dilutive ordinary shares that were outstanding for the years ended 31 March 2014 and 2013.

15. Dividends

The directors do not recommend the payment of dividend for the year ended 31 March 2014 (2013: HK$ Nil).

16. Investment Properties

The Group:

	HK$'000
COST	
Transfer from owner-occupied property, at 31 March 2013 and at 31 March 2014	8,057
ACCUMULATED AMORTIZATION AND IMPAIRMENT	
Transfer from owner-occupied property	6,264
Charge for the year	60
At 31 March 2013	6,324
Charge for the year	59
At 31 March 2014	6,383
CARRYING AMOUNT	
At 31 March 2014	1,674
At 31 March 2013	1,733

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 in the year 2013. 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 under 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 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
Additions	—	137,818	112	766	570	139,266
Disposal	(51,902)	—	(32,071)	(2,107)	(50)	(86,130)
Transfer from construction in progress	136,467	(170,327)	32,790	1,070	—	—
At 31 March 2014	142,432	—	33,567	6,772	5,359	188,130
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
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
Charge for the year	1,519	—	383	400	443	2,745
Written back on disposal	(15,719)	—	(27,403)	(1,383)	(50)	(44,555)
At 31 March 2014	5,455	—	205	4,677	4,815	15,152
CARRYING AMOUNT						
At 31 March 2014	136,977	—	33,362	2,095	544	172,978
At 31 March 2013	38,212	32,509	5,511	1,383	417	78,032

Depreciation of property, plant and equipment of HK$1,829,000 (2013: HK$842,000) has been charged in administrative expenses and HK$916,000 (2013: HK$1,775,000) has been charged in cost of sales.

17. Property, Plant and Equipment (Continued)

Note:

(a) During the year, Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd. ("JECP"), a subsidiary of the Company, disposed its land, buildings and machineries ("Properties") in Changchun, the PRC. JECP is still in the process of transferring the legal title of the Properties to the purchaser.

18. Prepaid Land Lease Payments

The Group:

	HK$'000
COST	
At 1 April 2012	36,102
Transfer to investment properties	(3,223)
At 31 March 2013	32,879
Disposal	(18,215)
At 31 March 2014	14,664
ACCUMULATED AMORTIZATION AND IMPAIRMENT	
At 1 April 2012	11,901
Transfer to investment properties	(2,506)
Charge for the year	947
At 31 March 2013	10,342
Charge for the year	615
Write back on disposal	(7,166)
At 31 March 2014	3,791
CARRYING AMOUNT	
At 31 March 2014	10,873
At 31 March 2013	22,537

18. Prepaid Land Lease Payments (continued)

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

	2014 HK$'000	2013 HK$'000
Land outside Hong Kong:		
Medium-term leases	**10,873**	22,537

Amortization of prepaid land lease payments of HK$335,000 (2013: HK$29,000) has been charged in administrative expenses and HK$280,000 (2013: HK$918,000) has been charged in cost of sales.

Notes:

(a) Regarding to the disposal of land by JECP, a subsidiary of the Company, please refer to note 17 for detail.

(b) During the year ended 31 March 2014, Changchun Extrawell Pharmaceutical Co., Ltd. ("CEP"), a subsidiary of the Company, disposed its factory premises in Changchun, the PRC. CEP is still in the process of transferring the land use right certificate for the piece of land disposed to the purchaser.

(c) During the year ended 31 March 2011, CEP acquired of a piece of land in Changchun, the PRC. CEP is still in the process of obtaining the land use right certificate for the piece of land acquired.

19. Intangible Assets

The Group:

	Technological know-how HK$'000 (note a)	Gene invention rights HK$'000	Goodwill HK$'000 (note b)	Total HK$'000
COST				
At 1 April 2012, at 31 March 2013 and at 31 March 2014	295,704	95,000	1,807	392,511
ACCUMULATED AMORTIZATION AND IMPAIRMENT				
At 1 April 2012	10,836	95,000	—	105,836
Charge for the year	472	—	—	472
At 31 March 2013	11,308	95,000	—	106,308
Charge for the year	136	—	—	136
At 31 March 2014	11,444	95,000	—	106,444
CARRYING AMOUNT				
At 31 March 2014	284,260	—	1,807	286,067
At 31 March 2013	284,396	—	1,807	286,203

Amortization of intangible assets of HK$136,000 (2013: HK$472,000) has been charged in cost of sales.

19. Intangible Assets (Continued)

Notes:

(a) Included in the technological know-how of approximately HK$284,260,000 (2013: HK$284,260,000) (the "Know-how") represents an oral insulin product (the "Product") and the exclusive right for the commercialization 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 21.71%. According to the valuation report provided by the independent professional valuer, the carrying amount of the Know-how as at 31 March 2014 is no less than HK$284,260,000. The directors are, therefore, in the opinion that no impairment on the Know-how should be recognized. Should the approval of results of the clinical trial fail, the certificate of new medicine cannot be obtained from the China Food and Drug Administration ("CFDA") 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$NIL (2013: HK$136,000) 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"), which was fully amortized during the year .

(b) 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

	2014 **HK$'000**	2013 HK$'000
Unlisted shares, at cost	**52,990**	52,990
Add: Amounts due from subsidiaries	**805,643**	170,041
	858,633	223,031
Less: Amounts due to subsidiaries	**(11,341)**	(11,848)
Impairment on interests in subsidiaries	**(17,830)**	(17,830)
	829,462	193,353

20. Interests in Subsidiaries (Continued)

Particulars of the Company's principal subsidiaries as at 31 March 2014 are as follows:

Name	Place of incorporation/ registration and operations	Issued and paid-up capital/registered capital	Percentage of ownership/interest		Principal activities
			Direct	Indirect	
Extrawell (BVI) 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
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

20. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operations	Issued and paid-up capital/registered capital	Percentage of ownership/interest Direct	Indirect	Principal activities
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	—	100%	Investment holding
Fosse Bio-Engineering Development Limited ("Fosse Bio") (note d)	Hong Kong/ The PRC	10,000 ordinary shares of HK$10 each	—	51%	Development and commercialization of oral insulin products
Welly Surplus Development Limited ("Welly Surplus") (note d)	Hong Kong	100 ordinary shares of HK$1 each	—	51%	Inactive
Nation Joy Industries Limited ("Nation Joy")	BVI	10,000 ordinary shares of US$1 each	—	100%	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.

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. JECP has renewed its operating period up to 21 April 2016.

(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) On 23 February 2013, the Group entered into a supplemental agreement ("Supplemental Agreement") with Mr. Ong Cheng Heang ("Mr. Ong") to amend certain terms and conditions of the sale and purchase agreement dated 27 July 2007 ("2007 Agreement") in connection with the acquisition of the remaining 49% interest in Smart Ascent (the "Acquisition"). Pursuant to the Supplemental Agreement, the consideration was revised to HK$660,000,000 (the "Consideration") and the settlement of which was revised to (i) cash payment of HK$18,700,000 and (ii) issuance of zero-coupon convertible bonds (the "Bonds") by the Company with principal amount in aggregate of HK$641,300,000 at the 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.

The Acquisition was approved in a special general meeting held on 4 July 2013, and completed on 16 July 2013 upon the settlement of the Consideration by, amongst others, the Company issuing the Bonds for an aggregate principal amount of HK$641,300,000 to Mr. Ong and Dr. Mao each of principal amount of HK$320,650,000. Since then, Smart Ascent has become an indirect wholly owned subsidiary of the Company. The excess of the Consideration over the carrying amount of the net assets approximately HK$598,347,000 was recognised in equity directly and included in other reserve (note 35(b)(v)) during the year ended 31 March 2014.

Details regarding the Acquisition are disclosed in the Company's announcements dated 27 February 2013, 4 July 2013 and 16 July 2013, and the circular dated 18 June 2013.

(d) Both Fosse Bio and Welly Surplus are owned as to 51% by Smart Ascent and Smart Ascent is owned as to 100% (2013: 51%) by EBVI. Therefore, the effective equity interests of Fosse Bio and Welly Surplus held by the Group are both 51% (2013: 26%).

21. Available-For-Sale Investments and Interest in an Associate

	HK$'000
Interest in an associate	
The Group	
At 1 April 2012	—
Acquisition, unlisted and at cost	3,086
At 31 March 2013	3,086
Add: Loan receivable	9,259
Loan interest receivables	474
	12,819
Less: Share of loss	(3,086)
At 31 March 2013	9,733
Less: Transfer to available-for-sale investments	—
Transfer to loan and interest receivables	(9,733)
At 31 March 2014	—
Available-for-sale investments	
At 1 April 2013	—
Add: Cost transfer from interest in an associate	3,086
Less: Impairment loss transfer from interest in an associate	(3,086)
At 31 March 2014	—
Loan and interest receivables	
At 1 April 2013	—
Add: Transfer from interest in an associate	9,733
Add: Interest accrued for the year	622
	10,355
Less: Impairment loss recognized	(10,747)
Add: Exchange realignments	392
	(10,355)
At 31 March 2014	—

21. Available-For-Sale Investments and Interest in an Associate (Continued)

Notes:

(a) On 13 January 2012, JECP, a wholly-owned subsidiary of the Company subscribed for RMB2,500,000 of the registered capital of 龍脈(上海)健康管理服務有限公司 ("Shanghai Longmark") by way of capital injection. Shanghai Longmark is a company incorporated in China and engaged in provision of health care management services. The subscription was completed in April 2012, and the enlarged registered capital of RMB12,500,000 of Shanghai Longmark was owned as to 20% by JECP and 80% by United Gene HealthCare Limited, Shanghai ("Shanghai United Gene"), which subsequently transferred its 80% interest in Shanghai Longmark to 東龍脈(上海)健康管理服務有限公司 ("東龍脈") in December 2012. Both Shanghai United Gene and 東龍脈 are indirect wholly-owned subsidiaries of United Gene High-Tech Group Limited (the "UG Listco"), the shares of which are listed on the Stock Exchange. Included in the cost of acquisition in the associate was goodwill of approximately HK$3,086,000.

(b) On 16 May 2012, JECP entered into a loan agreement with Shanghai Longmark (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 Shanghai Longmark for financing its working capital requirements, which was fully drawn down during the year ended 31 March 2013 and remained outstanding as at 31 March 2014 and 31 March 2013.

The amount due is unsecured, interest bearing at 6.65% per annum and has a fixed repayment term. The principal shall be repaid in the months of May, July and August 2014 as to the sum of RMB5,000,000, RMB1,000,000 and RMB1,500,000 respectively. The shareholder's loan is capital in nature as the directors intend to capitalize it as further investments in Shanghai Longmark.

(c) On 25 April 2013, JECP entered into a capital injection and subscription agreement with 東龍脈 and Dr. Xie Yi ("Dr. Xie"), in which Dr. Xie agreed to subscribe RMB7,490,000 (the"Subscription") for the registered capital of Shanghai Longmark, the then associate of the Company. The Subscription was completed in August 2013, and the registered capital of Shanghai Longmark thus increased from RMB12,500,000 to RMB19,990,000. Accordingly, the Company's equity interest in Shanghai Longmark was diluted from 20% to 12.51%, and the respective shareholding of 東龍脈 and Dr. Xie each was 50.02% and 37.47%. Details of the Subscription are disclosed in the UG Listco's announcement dated 25 April 2013.

As a result of dilution, the Group considered it was no longer in a position to exercise significant influence over Shanghai Longmark and ceased to account for the investments as an associate.

(d) The unlisted available-for-sale investments are measured at cost less impairment. Impairment losses were recognized with reference to the latest financial information of Shanghai Longmark and its estimated recoverable amount.

Available-for-sale investments are held with the intention for a continuing strategic or long-term purpose.

22. Amounts due from Non-Controlling Interests and Former Non-Controlling Interests, and Loan to a Non-Controlling Interest

	2014 HK$'000	2013 HK$'000
Amounts due from Non-Controlling Interests		
Non-current portion:		
Fordnew Industrial Limited (notes a, c and e)	**4,100**	3,584
Zheng Chang Xue (notes a, b, c and e)	**—**	1,029
Hou Shi Chang (notes a, b, c and e)	**—**	182
Groupmark Investment Group Limited (notes a, c and e)	**1,167**	958
Feel So Good Limited (notes a, b, c and e)	**—**	303
	5,267	6,056
Amounts due from Former Non-Controlling Interests		
Non-current portion:		
Zheng Chang Xue (notes a, b, c and e)	**1,150**	—
Hou Shi Chang (notes a, b, c and e)	**203**	—
Feel So Good Limited (notes a, b, c and e)	**338**	—
	1,691	—
	6,958	6,056
Loan to a Non-Controlling Interest		
Non-current portion:		
Fordnew Industrial Limited (note d)	**7,790**	5,997

22. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS AND FORMER 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) During the year ended 31 March 2014, Zheng Chang Xue, Hou Shi Chang and Feel So Good Limited transferred entirely their respective equity interests in Fosse Bio to Groupmark Investment Group Limited.

(c) The amounts represent outstanding contributions' receivable from non-controlling interests and former 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 and former non-controlling interests in note 30.

(d) This represents a loan made by Smart Ascent Limited to Fordnew Industrial Limited ("Fordnew") 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 39 to these consolidated financial statements.

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

Non-current portion:

	2014 **HK$'000**	2013 HK$'000
Hong Kong dollars	**65**	60
Renminbi	**6,893**	5,996
	6,958	6,056

23. INVENTORIES

The Group:

	2014 HK$'000	2013 HK$'000
Raw materials	**2,562**	2,960
Work in progress	**730**	1,508
Finished goods	**6,095**	9,283
	9,387	13,751
Less: Allowance for obsolete inventories	**(162)**	(601)
	9,225	13,150

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

24. TRADE RECEIVABLES

The Group:

	2014 HK$'000	2013 HK$'000
Trade receivables	**96,414**	94,980
Less: Impairment on trade receivables	**(26,860)**	(20,175)
Trade receivables, net of provision	**69,554**	74,805
Maximum exposure to credit risk	**69,554**	74,805

The carrying amounts of trade receivables approximate their fair values as at 31 March 2014 and 31 March 2013. 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:

	2014 HK$'000	2013 HK$'000
Within 90 days	**31,238**	35,836
Between 91 to 180 days	**30,219**	26,100
Between 181 to 365 days	**8,097**	12,869
Between 1 to 2 years	**10,215**	8,551
Over 2 years	**16,645**	11,624
	96,414	94,980

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

	2014 HK$'000	2013 HK$'000
Within 90 days	**31,238**	35,836
Between 91 to 180 days	**30,219**	26,100
Between 181 to 365 days	**8,097**	12,869
	69,554	74,805

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 from 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 minimize credit risk. Overdue balances are reviewed regularly by senior management.

24. Trade Receivables (Continued)

The movements of impairment on trade receivables are as follows:

	2014 HK$'000	2013 HK$'000
At 1 April	**20,175**	20,418
Impairment on trade receivables	**10,215**	8,551
Reversal of impairment on trade receivables	**(3,530)**	(8,794)
At 31 March	**26,860**	20,175

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:

	2014 HK$'000	2013 HK$'000
Hong Kong dollars	**30**	30
Renminbi	**34,900**	40,420
United States dollars	**34,624**	34,355
	69,554	74,805

25. Deposits, Prepayments and Other Receivables

The Group:

	2014 HK$'000	2013 HK$'000
Deposits	2,564	10,671
Other receivables, net of impairment loss	10,456	11,295
Other receivables due from connected persons (note a)	—	31,780
Other receivables due from a PRC government authority (note b)	10,632	—
Maximum exposure to credit risk	23,652	53,746
Prepayments	8,060	9,462
	31,712	63,208

The Company:

	2014 HK$'000	2013 HK$'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 2014 and 31 March 2013. The Group does not hold any collateral over these balances, except the other receivables due from connected persons as disclosed in note (a) below.

Notes:

(a) The amount of HK$31,780,000 included in the Group's other receivables as at 31 March 2013 was due from former non-controlling interests, which was settled on 16 July 2013 upon completion of acquisition by the Group of 49% interest in Smart Ascent from Mr. Ong by way of set-off against cash payment of HK$18,700,000 pursuant to the Acquisition and amount due to Mr. Ong of about HK$12,787,000, and the balance of about HK$293,000 by remittance from Mr. Ong.

(b) The amount represents the balance of sales proceeds due from 長春經濟技術開發區土地收購儲備中心, a PRC government authority, pursuant to an agreement for early termination of the land use right of factory premises held by CEP as disclosed in note 31.

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

	2014 HK$'000	2013 HK$'000
Renminbi	**28,640**	30,273
United States dollars	**1,391**	—
Hong Kong dollars	**1,681**	32,935
	31,712	63,208

26. Pledged Bank Deposits

The Group:

	2014	2013
	HK$'000	HK$'000
Pledged deposits	**19,819**	19,712

The carrying amounts of the Group's pledged deposits are denominated in the following currencies:

	2014	2013
	HK$'000	HK$'000
United States dollars	**17,598**	17,502
Hong Kong dollars	**2,221**	2,210
	19,819	19,712

The pledged deposits are pledged to a bank to secure banking facilities granted to the Group. The pledged bank deposits are carried at floating interest rates ranging from 0.45% to 0.75% (2013: 0.38% to 0.52%) per annum, thus exposing the Group to interest rate risk.

27. Cash and Cash Equivalents

The Group:

	2014	2013
	HK$'000	HK$'000
Cash and bank balances	**103,696**	136,450
Maximum exposure to credit risk	**103,535**	136,255

27. CASH AND CASH EQUIVALENTS (CONTINUED)

The Company:

	2014 HK$'000	2013 HK$'000
Cash and bank balances and maximum exposure to credit risk	**42,131**	44,849

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

The Group:

	2014 HK$'000	2013 HK$'000
Renminbi	**11,805**	32,474
United States dollars	**85,857**	92,759
Euro	**3,298**	7,457
Hong Kong dollars	**2,736**	3,760
	103,696	136,450

The Company:

	2014 HK$'000	2013 HK$'000
Renminbi	**1,311**	1,279
United States dollars	**38,727**	41,123
Euro	**1,448**	1,447
Hong Kong dollars	**645**	1,000
	42,131	44,849

The cash and cash equivalents are carried at floating interest rates of 0.01% to 2.9% (2013: 0.01% to 2.7%) 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:

	2014 **HK$'000**	2013 HK$'000
Within 90 days	**10,326**	11,863
Between 91 to 180 days	**2,640**	1,492
Between 181 to 365 days	**8**	—
Between 1 to 2 years	**15**	144
Over 2 years	**47**	399
	13,036	13,898

The carrying amounts of the Group's trade and bills payables approximate their fair values as at 31 March 2014 and 31 March 2013 and are denominated in the following currencies:

	2014 **HK$'000**	2013 HK$'000
Renminbi	**1,930**	2,053
United States dollars	**6,424**	7,047
Euro	**4,682**	4,798
	13,036	13,898

29. Accruals and Other Payables

The Group:

	2014 HK$'000	2013 HK$'000
Accruals and other payables	**67,990**	18,984

The Company:

	2014 HK$'000	2013 HK$'000
Accruals and other payables	**1,249**	1,241

The carrying amounts of the Group's and the Company's accruals and other payables approximate their fair values as at 31 March 2014 and 31 March 2013 and are denominated in the following currencies:

The Group:

	2014 HK$'000	2013 HK$'000
Renminbi	**58,555**	11,766
United States dollars	**4,393**	—
Hong Kong dollars	**5,042**	7,218
	67,990	18,984

The Company:

	2014 HK$'000	2013 HK$'000
Hong Kong dollars	**1,249**	1,241

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

	2014 HK$'000	2013 HK$'000
Amounts due to Non-Controlling Interests		
Non-current portion:		
Ong Cheng Heang (notes a, c and h)	—	8,354
Fordnew Industrial Limited (notes c, d and h)	6,048	5,532
Zheng Chang Xue (notes b, c, d and h)	—	1,589
Hou Shi Chang (notes b, c, d and h)	—	281
Groupmark Investment Group Limited (notes c, d and h)	1,688	1,479
Feel So Good Limited (notes b, c, d and h)	—	467
	7,736	17,702
Amounts due to Former Non-Controlling Interests		
Non-current portion:		
Zheng Chang Xue (notes b, c, d and h)	1,709	—
Hou Shi Chang (notes b, c, d and h)	302	—
Feel So Good Limited (notes b, c, d and h)	503	—
	2,514	—
Amount due to Non-Controlling Interest		
Current portion:		
Ong Cheng Heang (notes a and f)	—	7,066
Fordnew Industrial Limited (notes c and e)	20,674	32,404
	20,674	39,470
Loan from a Non-Controlling Interest		
Non-current portion:		
Fordnew Industrial Limited (notes e and g)	7,520	5,997

30. Amounts due to Non-Controlling Interests and Former Non-Controlling Interests and Loan from a Non-Controlling Interest (Continued)

Notes:

(a) Amounts due to Ong Cheng Heang were settled on 16 July 2013 upon the completion of the Group's acquisition of 49% equity interest in Smart Ascent as disclosed on note 20(c).

(b) During the year ended 31 March 2014, Zheng Chang Xue, Hou Shi Chang and Feel So Good Limited transferred entirely their respective equity interests in Fosse Bio to Groupmark Investment Group Limited.

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

(d) 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.

(e) The amounts due are denominated in Hong Kong dollars.

(f) The amounts due are denominated in Renminbi.

(g) This represents a loan made by 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, unsecured and non-interest bearing. Details of the loan are disclosed in note 22(d) and note 39 to these consolidated financial statements.

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

Non-current portion

	2014 **HK$'000**	2013 HK$'000
Hong Kong dollars	**88**	84
Renminbi	**10,162**	17,618
	10,250	17,702

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. During the year ended 31 March 2014, the factory premises have been completely disposed and deferred income has been recognized as income in the statement of comprehensive income.

32. Deferred Tax Liabilities

The deferred tax liabilities at 31 March 2014 arose from accelerated tax depreciation.

At 31 March 2014, the Group has unused tax losses arising in Hong Kong and the PRC of approximately HK$3,458,000 (2013: HK$3,458,000) and HK$6,557,000 (2013: HK$5,430,000) respectively available to offset against future taxable profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams. Tax losses arising in Hong Kong may be carried forward indefinitely. The unused tax losses arising in the PRC will expire as follows:

	2014 **HK$'000**	2013 HK$'000
Year		
2013	**—**	1,011
2014	**2,324**	2,324
2015	**1,349**	1,349
2016	**1**	1
2017	**745**	745
2018	**2,138**	—
	6,557	5,430

33. Convertible Bonds

On 16 July 2013, the Company issued zero coupon convertible bonds with an aggregate principal amount of HK$641,300,000 (the "Bonds") as part of the consideration for the acquisition of 49% equity interest in Smart Ascent Limited as disclosed in note 20(c). The Bonds are convertible at the option of the bondholders into ordinary shares of the Company at a conversion price of HK$0.6413 per ordinary share on or before the seventh business day prior to the maturity date of 16 July 2033.

The fair value of the liability component of the Bonds on initial recognition is based on the valuation performed by an independent professional valuer using discounted cash flow approach at effective interest rate of 8.43%. The residual amount was assigned as the equity component of the Bonds which was included in the "Equity component convertible bonds reserve" of the Company and the Group. The liability component is carried as a non-current liability on amortized cost basis until extinguished on conversion or redemption.

In August 2013, 100,000,000 ordinary shares of the Company were issued upon a bondholder exercising conversion rights attached to the Bonds to the extent of principal amount of HK$64,130,000 at the conversion price of HK$0.6413 per ordinary share.

Movements of different components of the Bonds during the year are set out below:

The Group and the Company:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 1 April 2013	—	—	—
Issue of the Bonds	126,938	514,362	641,300
Conversion of the Bonds into ordinary shares:			
— Transfer to share capital	—	(1,000)	(1,000)
— Transfer to share premium	(12,753)	(50,436)	(63,189)
Imputed interest	6,893	—	6,893
	(5,860)	(51,436)	(57,296)
At 31 March 2014	121,078	462,926	584,004

34. Share Capital

The Group and the Company:

	Number of shares		Share capital	
	2014	2013	**2014**	2013
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.01 each				
Authorized	**20,000,000**	20,000,000	**200,000**	200,000
Issued and fully paid				
At 1 April	**2,290,000**	2,290,000	**22,900**	22,900
Conversion of convertible bonds (note 33)	**100,000**	—	**1,000**	—
At 31 March	**2,390,000**	2,290,000	**23,900**	22,900

35. 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 40 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 capitalization 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 reorganization in 1999 (the "Group Reorganization"), 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.

35. RESERVES (CONTINUED)

(b) Nature and purpose of reserve (Continued)

(v) Other reserve

Other reserve represents the difference between the consideration paid to obtain additional non-controlling interests and the carrying amount of the net assets on the date of the acquisition. The excess of the fair value of the consideration over the carrying amount of the net assets acquired has been debited directly to equity.

(vi) Equity component of convertible bonds

The capital reserve represents the value of unexercised equity component of convertible bonds issued by the Company recognized in accordance with accounting policies set out in note 3(h) to the consolidated financial statements.

(c) The Company

	Share premium HK$'000	Contributed surplus HK$'000	Foreign currency translation reserve HK$'000	Equity component convertible bonds HK$'000	Retained earnings HK$'000	Total HK$'000
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
For the year ended 31 March 2014						
At 1 April 2013	**133,717**	**64,636**	**3,862**	—	**12,067**	**214,282**
Issue of convertible bonds	—	—	—	**514,362**	—	**514,362**
Conversion of convertible bonds	**63,189**	—	—	**(51,436)**	—	**11,753**
Profit for the year (note 13)	—	—	—	—	**35,190**	**35,190**
At 31 March 2014	**196,906**	**64,636**	**3,862**	**462,926**	**47,257**	**775,587**

36. 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 optimization 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 cash flows 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, convertible bonds, amounts due to non-controlling interests and amounts due to former 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 0.343 and 0.098 as at 31 March 2014 and 31 March 2013 respectively.

37. Banking Facilities

At 31 March 2014, 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.

38. 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.

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.

38. Share Option Scheme (Continued)

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 2014, no share options have been granted, exercised, cancelled or lapsed under the Scheme.

39. 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:

	2014 HK$'000	2013 HK$'000
Within one year	**1,713**	1,589
In the second to fifth years, inclusive	**3,351**	—
	5,064	1,589

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

(b) Capital commitments for property, plant and equipment

	2014 HK$'000	2013 HK$'000
Contracted but not provided for	**—**	82,985

The capital commitments as of 31 March 2013 were related to the new factory premises of CEP.

39. COMMITMENTS (CONTINUED)

(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 2014, 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 24.5% (2013: 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.

During the year, Fordnew drew down about HK$1,793,000 (note 40(c)) and the aggregate balance utilized by and unutilized balances available for Fordnew were approximately HK$7,790,000 and HK$22,210,000 respectively as at 31 March 2014.

On 7 April 2014, Fordnew made a drawdown notice amounting to about HK$3,059,000, and the remaining unutilized balance available for Fordnew is HK$19,151,000 as at the date of approval of these financial statements.

39. COMMITMENTS (CONTINUED)

(c) Other commitments (Continued)

(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");

(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.

39. COMMITMENTS (CONTINUED)

(c) Other commitments (Continued)

(ii) (Continued)

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

(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 and 24 March 2014 with value in total of RMB12,080,000 and RMB10,400,000 respectively for provision of clinical trial management services and the related clinical studies.

The aggregate authorized contract value not provided for in these consolidated financial statements amounted to RMB9,520,000 (2013: RMB2,605,000) as at 31 March 2014.

40. 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 (the "2007 Agreement") 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 was revised to HK$660,000,000 (the "Consideration") and the settlement of which was 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 the 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.

    The Acquisition was approved in a special general meeting held on 4 July 2013, and completed on 16 July 2013 upon the settlement of the Consideration by, amongst others, the Company issuing the Bonds for an aggregate principal amount of HK$641,300,000 to Mr. Ong and Dr. Mao each of principal amount of HK$320,650,000. Further details are disclosed in the Company's announcements dated 4 July 2013 and 16 July 2013.

(b) EBVI has made advances to Smart Ascent since completion of its acquisition of 51% equity interest in August 2004. The advances are unsecured, non-interest-bearing and repayable on demand. Smart Ascent has become a wholly owned subsidiary of EBVI since 16 July 2013 as stated in note (a) above, and prior to that the outstanding balance of these advances was approximately HK$16,473,000 (As at 31 March 2013: approximately HK$16,194,000).

(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 owned 29% interest in the issued share capital of Fosse Bio and was a substantial shareholder of Fosse Bio, the grant of the loan by Smart Ascent to Fordnew constituted 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 29 October 2013 and 27 March 2014, Fordnew made drawdown notices for an aggregate amount of approximately HK$1,793,000 to Smart Ascent, of which about HK$1,523,000 was on-lent to Fosse Bio for making progress payment to the project administrator in connection with the service contract for the clinical trial and payment for clinical trial expenses incurred in the year under review.

41. Financial Instruments by Category

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

The Group:

	2014 **HK$'000**	2013 HK$'000
Financial assets — Loan and receivables		
Trade receivables	**69,554**	74,805
Deposits and other receivables	**23,652**	53,746
Amounts due from non-controlling interests	**5,267**	6,056
Amounts due from former non-controlling interests	**1,691**	—
Loan to a non-controlling interest	**7,790**	5,997
Pledged bank deposits	**19,819**	19,712
Cash and cash equivalents	**103,696**	136,450
	231,469	296,766
Financial liabilities — Other financial liabilities		
Trade and bills payables	**13,036**	13,898
Accruals and other payables	**67,990**	18,984
Loan from a non-controlling interest	**7,520**	5,997
Amounts due to non-controlling interests and former non-controlling interests	**30,924**	57,172
Convertible bonds	**121,078**	—
	240,548	96,051

41. Financial Instruments by Category (Continued)

The Company:

	2014 HK$'000	2013 HK$'000
Financial assets — Loan and receivables		
Dividend receivables	**50,000**	—
Cash and cash equivalents	**42,131**	44,849
	92,131	44,849
Financial liabilities — Other financial liabilities		
Accruals and other payables	**1,249**	1,241
Convertible bonds	**121,078**	—
	122,327	1,241

42. Fair Value Estimation

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

43. Approval of Consolidated Financial Statements

The consolidated financial statements were approved and authorized for issue by the board of directors on 30 June 2014.

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				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**150,673**	151,068	157,406	198,816	196,291
Profit before taxation	**30,896**	8,886	16,863	5,103	12,788
Taxation	**(14,537)**	(706)	(926)	(1,055)	2,784
Profit for the year	**16,359**	8,180	15,937	4,048	15,572
Attributable to:					
— Equity holders of the Company	**15,700**	10,876	20,414	11,567	14,624
— Non-controlling interests	**659**	(2,696)	(4,477)	(7,519)	948
	16,359	8,180	15,937	4,048	15,572
Dividends	**—**	—	—	—	—

	AS AT 31 MARCH				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**720,346**	717,616	687,804	664,092	654,213
Total liabilities	**(255,548)**	(134,324)	(112,727)	(103,819)	(104,127)
Total equity	**464,798**	583,292	575,077	560,273	550,086
Non-controlling interests	**(136,502)**	(198,945)	(201,641)	(206,118)	(213,290)
	328,296	384,347	373,436	354,155	336,796

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