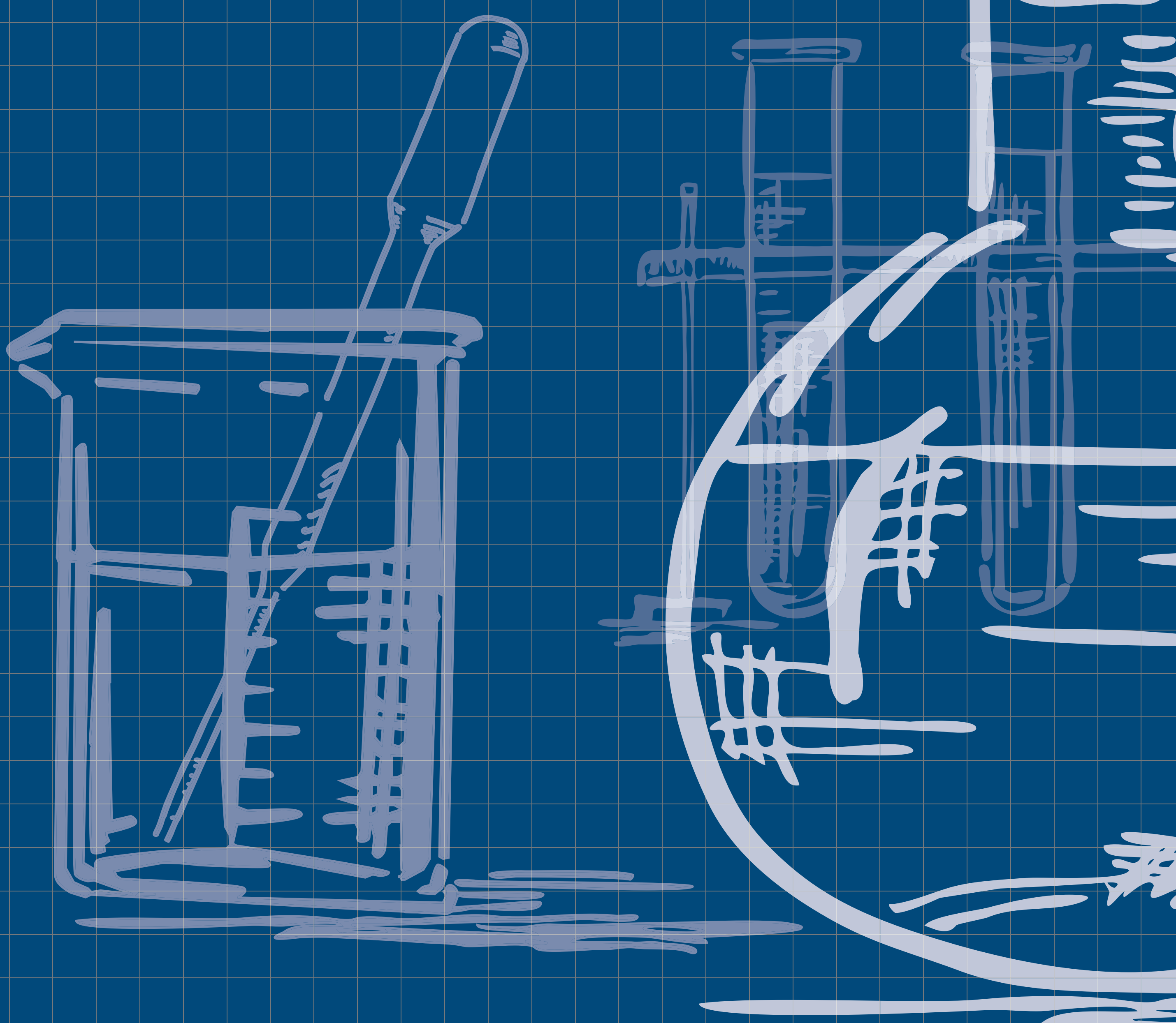
Extrawell Pharmaceutical Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 858

2012 Annual Report



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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Mr. LIU Kwok Wah

Hong Kong Legal Advisers

Chiu & Partners Solicitors

Independent Auditors

East Asia Sentinel Limited
Certified Public Accountants

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong

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

Principal Bankers

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

Principal Share Registrar and Transfer Office

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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

Website

http://www.extrawell.com.hk

Stock Code

The Stock Exchange of Hong Kong Limited: 00858

CHAIRMAN'S STATEMENT

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 2012.

Under an increasingly challenging market environment, the Group posted solid overall results in the financial year and its financial position remains sound.

Amid the faltering global economy in the year, the Mainland stayed relatively resilient. The pharmaceutical industry was seen to benefit from such key drivers backed by the rising domestic consumption underlying the steady growth of the Mainland's economy and the dynamics brought forth with the supportive measures of the Twelfth Five-Year Plan and the ongoing healthcare reforms. Alongside the domestic-driven market growth, the operating environment of the pharmaceutical industry was influenced by the regulatory and inflationary pressures, growing price-led competition and the accelerating industry consolidation.

Faced with the mounting challenges and the structural changes in the competitive landscape of the pharmaceutical industry, the Group exerted its continual efforts to streamline its business operations and consolidate its resources to alleviate the impacts and strengthen its competitiveness. The results demonstrated the Group's efforts. Despite the difficult market environment, the Group showed a steady performance through responsive adjustments of its strategies to market changes, continuous enhancement of operational efficiency and the support of its dedicated team. The Group believes that with improved production capacity and capability upon relocation of the production facilities in future, the Group will also be well-positioned to maintain the long-term competitiveness for manufactured products. The Group will continue to be vigilant in managing costs and adopt flexibly strategies and measures to bolster profitability across the Group.

With the collaborative efforts of the expertise and the Group's management team, the Group has made a positive move in advancing the oral insulin project forward as the clinical trial is being conducted in the clinical trial centres in the Mainland. Focusing on the development of oral insulin, the Group would continue to input its best resources in advancing the product development so as to realise returns in the Mainland's fast-growing diabetes market and provide an impetus for the growth of the Group.

Maintaining a balance of financial prudence and sustainability, the Group has been exploring investment opportunities in other high-growth potential areas to widen its business spectrum for the long-term benefits of the Group. Given the rising urban population coupled with improving living standards in the Mainland which will increase demand for quality healthcare management services, the Group has stepped into the healthcare sector through acquiring a minority stake in a healthcare management enterprise, to capture the market opportunity of the growing healthcare industry in the Mainland. The Group will also pursue collaborative opportunities which will create synergies to facilitate the long-term development and growth of the Group.

Looking ahead, in face of ongoing challenges and market uncertainties, the Group will continue to operate towards the promotion of the growth of the Group by perfecting its resources allocation to further enhance its operational efficiency and profitability. With strengthened financial position, the Group will prudently seize business opportunities based on the market conditions, with a view to enhancing its corporate value.

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

Dr. Mao Yu Min
Chairman

Hong Kong, 29 June 2012

MANAGEMENT DISCUSSION AND ANALYSIS

A. Business Review

Overall Performance

With the adoption of the Twelfth Five-Year Plan in 2011 and the central government's increasing investment to the nation's healthcare reforms, the pharmaceutical industry continued to demonstrate a strong growth momentum supported by robust market demand primarily driven by natural growth and aging of population, accelerating urbanization and the people's rising living standards. The deepening implementation of stricter regulatory requirements towards the industry along with the healthcare reforms and the inflationary atmosphere during the year posed pressures and ongoing challenges to the operating environment of pharmaceutical enterprises, intensifying market competition and changing the landscape of the industry.

In the context of the ever-changing competitive landscape, the Group persisted in optimising operational efficiencies by streamlining the business operations and adjusting its marketing and distribution strategies whilst fortifying stringent controls over costs and expenses. In line with adjusting the distribution model on trading business of imported pharmaceuticals, there was a decline of the Group's turnover to about HK$157.4 million, representing a decrease of 20.8% as compared with that of last financial year. However, positive effects of an improved overall gross margin from 26.2% to 30.2% and a reduction of the total administrative, selling and distribution expenses by about HK$9.3 million from HK$46.9 million to HK$37.7 million were achieved. As a result, the Group's profit for the year was about HK$15.9 million comprising reclassification of exchange differences from translation reserve of about HK$8.4 million in respect of partial disposal of operation outside Hong Kong upon adjusting the distribution model of the imported pharmaceutical business.

The Group's profit for the year attributable to the equity holders of the Company was about HK$20.4 million, representing an increase of about HK$8.8 million as compared to profit of about HK$11.6 million in 2011.

Turnover and Operating Results

Imported Pharmaceutical Sector

While turnover for the imported pharmaceutical sector decreased by about 33.5% from about HK$158.9 million last year to about HK$105.8 million this year, which was primarily due to price adjustments on products for customers under the introduction of the adjusted distribution model, segment profit was maintained at about HK$25.1 million including the reclassification of exchange differences from translation reserve of about HK$8.4 million. The result was achieved as there were a corresponding reduction of operating costs and expenses upon the adjusted distribution model, and an increasing sales contribution of the dermatological product propelled by effective execution of academic promotion activities during the year.

Confronting the complexity and challenges in the pharmaceutical market amidst macroeconomic volatility, management will devote continuing efforts to adopt strategies more flexibly according to market changes and will strive for further improvement on business performance.

A. Business Review (Continued)

Turnover and Operating Results (Continued)

Manufactured Pharmaceutical Sector

Sales of manufactured pharmaceutical products increased to about HK$51.7 million, an increase of approximately 29.5% as compared to about HK$39.9 million in 2011. The substantial increase in sales was mainly attributable to the increase in sales of the Group's two product lines specialised in improving the immunity system of human body against infectious diseases and for treating iron deficiency anemia.

During the year under review, the launch of a series of deepening policies in healthcare reforms triggered low-price bidding competition on drugs and heavier burden of regulatory costs for drug manufacturers. Impacted by the fierce market competition and inflationary environment, management made relentless efforts in rationalising production procedures to enhance productivity and adjusting marketing strategies to penetrate into rural markets. The severe challenges in the operating environment were also mitigated by improving gross margin with product mix and the continuous cost control measures to manage operating expenses. As a result, segment profit was maintained at about HK$2.1 million, a decrease of about HK$0.4 million as compared to about HK$2.5 million in 2011.

After entering into the land resumption and compensation agreement with the governmental authority in end of 2011, a relocation arrangement of the Group's production facilities by stages with minimal disruption to its existing operation is organised. It is the Group's intention to advance the capacity and capability of its new production facilities to enhance its core competitiveness in the long run. Meanwhile, the Group would continue to optimise its product mix to capture greater market share and reduce the production and operation costs in order to secure profitability and drive for better performance.

Gene Development Sector

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

Oral Insulin Sector

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

Selling and Distribution Expenses

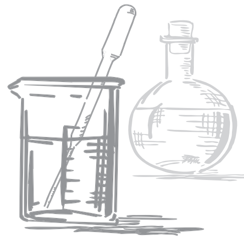
Selling and distribution expenses of the Group decreased from about HK$17.5 million in 2011 to about HK$10.4 million in 2012, representing a decrease of about HK$7.1 million or 40.4%. This was mainly attributable to reduction in logistics costs and associated expenses upon adjusting the distribution model of our imported pharmaceutical products and more effective utilisation of marketing resources and execution of marketing strategies.

Administrative Expenses

Administrative expenses of the Group reduced by 7.4% from about HK$29.4 million in 2011 to about HK$27.2 million in 2012 which was mainly due to reduction in staff costs upon the adjusted distribution model on imported pharmaceuticals and benefits achieved from consolidation of human resources.

Research and Development Expenses

Research and development expenses reduced from about HK$8.3 million in 2011 to about HK$4.9 million in 2012 attributable to less expenses relating to the oral insulin project were recognised in the year under review.



A. Business Review (Continued)

Other Revenues

Other revenues decreased from about HK$8.3 million in 2011 to about HK$3.6 million in 2012, a decrease by 57.3%. This was mainly due to no consultancy service rendered for other factories during the year and such reduction of about HK$7.3 million was partially offset by the increase of interest income by about HK$0.8 million and foreign exchange gain of about HK$1.5 million.

B. Outlook

While national policy changes and the healthcare reforms pose uncertainties ahead, the central government's commitments in establishing a universal healthcare coverage over the nation's population boost demand for quality pharmaceuticals and encourage innovation in the pharmaceutical industry.

It has been a positive move for the Group during the year as the clinical trial of oral insulin is conducted in the clinical trial centres in the Mainland, under the administration of the project administrator engaged by the Group. The multi-centered, randomized, double-blinded, placebo-controlled clinical trial is progressing towards validating the efficacy and safety of the use of oral insulin. The Group would focus resources on the ongoing progress of the clinical trial and believe that the success of the project will foster the growth of the Group.

With enhancement of the Group's core competitiveness as its key focus, the Group will continue to identify investment projects with potentials to bring prospects for the Group and will seek collaborative opportunities which will create synergies to develop and tap the advantages of growing domestic demand in the Mainland.

The Group is committed to maintaining a stable growth of its business in the challenging operating environment and holds a cautiously optimistic view towards the coming year.

C. Financial Review

Liquidity and Financial Resources

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

As at 31 March 2012, the Group had total cash and bank balances (including pledged bank deposits) of about HK$159.7 million (2011: HK$145.3 million), representing a moderate increase by approximately 9.9%.

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$19.6 million (2011: HK$20.7 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.

The Group's total borrowing over total assets ratio as at 31 March 2012 was 0.06 (2011: 0.06) calculated based on the Group's total debts of about HK$39.4 million (2011: HK$36.8 million), comprising amount due to a non-controlling interest of about HK$32.4 million (2011: HK$32.4 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 period but the Group will use financial instruments for hedging purpose when considered appropriate.

D. Employment and Remuneration Policy

As at 31 March 2012, the Group had 295 employees (2011: 415). Staff costs (including directors' emoluments) for the year ended 31 March 2012 amounted to approximately HK$28.2 million (2011: approximately HK$39.0 million). The decrease was mainly due to adjustments in the distribution model of trading business and the consolidation of human resources in the Group's operations. The Group has not experienced any significant problems with its employees or disruptions to the operations due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff.

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

No share option was granted under the Scheme during the year ended 31 March 2012.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical Details of Directors and Senior Management

Executive Directors

Dr. Mao Yu Min Ph.D. (aged 60)

Chairman and Executive Director

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

Dr. Mao has also acted as Honorary Chairman and in capacity of external consultant role as the chief scientific adviser of United Gene High-Tech Group Limited (stock code: 399), a company listed on the Stock Exchange, since September 2010.

Dr. Xie Yi Ph.D. (aged 49)

Executive Director and Chief Executive Officer

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

Dr. Lou Yi Ph.D. (aged 53)

Executive Director

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

Ms. Wong Sau Kuen (aged 49)

Executive Director

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

Biographical Details of Directors and Senior Management (Continued)

Independent Non-executive Directors

Mr. Fang Lin Hu (aged 74)

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). Mr. Fang was a member of National Information Technology Education and Electronic Education Advisory Committee and vice faculty head of the Physics Faculty of Fudan University, dean of the Electronic Engineering Faculty, the director of Micro-electronic Research Institute. Mr. Fang retired in 2000. Currently, he is the vice chairman of the Shanghai Senior Professor Association and a vice president of Shanghai Retired Education Workers Association. Mr. Fang has performed research in the area of microwave theory and technology. He is a well-recognised scientist who has extensive experience in scientific research and management. Mr. Fang was appointed as an independent non-executive director in 2001.

Mr. Xue Jing Lun (aged 78)

Independent Non-executive Director

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

Ms. Jin Song (aged 41)

Independent Non-executive Director

Ms. Jin Song holds a diploma in engineering from Broadcasting University in Shandong Province and a diploma in business from Fudan University. She is a member of the Chinese Institute of Certified Public Accountants ("CICPA") and passed all the professional examinations held by CICPA in 2001. Ms. Jin has 20 years' experience in accounting in different industries. Ms. Jin was appointed as an independent non-executive director in 2004.

Senior Management

Dr. Wen Ming (aged 51)

Head of Research and Development

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

Biographical Details of Directors and Senior Management (Continued)

Senior Management (Continued)

Mr. Chan Lian Bang (aged 57)

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

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

Mr. Liu Kwok Wah (aged 50)

Financial Controller and Company Secretary

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

Ms. Wu Hong (aged 40)

Senior Finance Manager

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

A. Corporate Governance Practices

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

During the year ended 31 March 2012, the Company had adopted and applied the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") save as disclosed below:

(a) Code provisions A1.3 and A6.1 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.

(b) Code provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Company deviates from 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.

(c) Code provision A4.2 stipulates that every director should be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the directors shall retire from office by rotation provided that the Chairman, Deputy Chairman or Managing Director shall not be subject to retirement by rotation. The Company's bye-laws deviate from the code provision. The Company considers that the continuity of the Chairman/Deputy Chairman/Managing Director and their leadership 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.

(d) Code provision A4.2 also stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. According to the bye-laws of the Company, any director so appointed shall hold office only until the next 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.

(e) Code provision E1.2 stipulates that the Chairman of the Board should attend the annual general meeting of the Company. Due to other commitments, Dr. Mao Yu Min was unable to attend the annual general meeting of the Company held on 2 September 2011. Dr. Xie Yi, an executive director of the Company was appointed to chair the annual general meeting in accordance with the provisions of the Company's bye-laws.

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

B. Directors' Securities Transactions

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

C. Board of Directors

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

Executive Directors

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

Independent Non-executive Directors

Mr. Fang Lin Hu
Mr. Xue Jing Lun
Ms. Jin Song

Save as disclosed, there is no other relationship (including financial, business, family or other material/relevant relationship) among the members of the Board. The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The management was delegated with the authority and responsibility by the Board for the day-to-day management of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for 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.

C. Board of Directors (Continued)

During the year ended 31 March 2012, eight 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 Yu Min	4/8
Dr. Xie Yi	8/8
Dr. Lou Yi	8/8
Ms. Wong Sau Kuen	8/8
Mr. Fang Lin Hu	7/8
Mr. Xue Jing Lun	6/8
Ms. Jin Song	8/8

D. Chairman and Chief Executive Officer

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

E. Non-executive Directors

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

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

F. Nomination Committee

On 21 March 2012, the Company has established a Nomination Committee with specific terms of reference stating clearly its authority and duties. The major role and function of the Nomination Committee are to formulate and implement the policy for nominating candidates for election by shareholders, and to assess the independence of non-executive directors.

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

No meeting was held in the financial year in relation to removal and appointment of directors.

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 2012, two Remuneration Committee meetings were held and attendance of each director is set out as follows:

Name of Director	**Number of attendance**
Mr. Fang Lin Hu	2/2
Mr. Xue Jing Lun	1/2
Ms. Jin Song	2/2
Dr. Xie Yi	2/2

The emoluments of the directors are reviewed and recommended by the Remuneration Committee and/or decided by the Board as authorised by the shareholders at the annual general meeting according to 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.

H. 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 2012 is as follows:

	HK$'000
Audit services	660
Non-audit services	49

I. 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 C3.3 with appropriate modification when necessary.

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

The current members of the Audit Committee are Mr. Fang Lin Hu (Chairman), Mr. Xue Jing Lun and Ms. Jin Song. During the year ended 31 March 2012, three Audit Committee meetings were held and attendance of each director is set out as follows:

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

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

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 27 to 29 of this annual report.

K. Internal Control

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

During the year, the Company engaged an independent professional consultant; namely Baker Tilly Hong Kong Business Services Limited ("Baker Tilly") to conduct a review of the effectiveness of the Group's system of internal control with the scopes recommended by the Audit Committee for the year ended 31 March 2012. Based on their review, Baker Tilly was satisfied that the management of the Company has maintained sound and adequate internal controls with room for improvement.

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

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of Extrawell Pharmaceutical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2012.

Principal Activities

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

Results and Dividend

The results of the Group for the year ended 31 March 2012 are set out in the consolidated statement of comprehensive income on page 30.

The state of affairs of the Group as at 31 March 2012 is set out in the consolidated statement of financial position on page 31.

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 86.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

Share Capital and Share Options

There were no movements in the share capital of the Company during the year. Details of the share capital of the Company are set out in note 31 to the financial statements. Information about share options and share option scheme of the Company is set out in note 35 to the financial statements.

Distributable Reserves

As at 31 March 2012, the reserves of the Company available for cash distribution and/or distribution in specie amounted to HK$84,578,000 as computed in accordance with the Bermuda Companies Act. In addition, the Company's share premium account with a balance of HK$133,717,000 as at 31 March 2012 may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

For the year ended 31 March 2012, turnover attributable to the Group's five largest customers accounted for approximately 57% of the Group's turnover, and turnover attributable to the Group's largest customer accounted for approximately 28% of the Group's turnover.

For the year ended 31 March 2012, purchases attributable to the Group's five largest suppliers accounted for approximately 86% of the Group's purchases and purchases attributable to the Group's largest supplier accounted for approximately 49% 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 Yu Min
Xie Yi
Lou Yi
Wong Sau Kuen

Independent non-executive directors:

Fang Lin Hu
Xue Jing Lun
Jin Song

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

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

Directors' Service Contracts

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

Directors' Remuneration

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

Directors' Interests in Contracts

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

Directors' Interests and Short Positions in Shares and Underlying Shares

At 31 March 2012, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations within the meaning of Part XV of the Securities and Future Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in the ordinary shares of the Company

Name of director	*Notes*	Capacity and nature of interest	Number of ordinary shares of HK$0.01 each held/entitled	Approximate percentage of interests held/entitled
Mao Yu Min	*(a)*	Through controlled corporations	480,000,000	20.96%
	(b)	Directly beneficially owned	150,000,000	6.55%
			630,000,000	27.51%
Xie Yi	*(a)*	Through controlled corporations	480,000,000	20.96%

Notes:

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

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

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

(b) In connection with note (b) under the section "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares", where details of the interest of Dr. Mao Yu Min ("Dr. Mao") in a conditional sale and purchase agreement entered into between Mr. Ong Cheng Heang ("Mr. Ong") and Dr. Mao dated 6 September 2011, are disclosed.

Directors' Interests and Short Positions in Shares and Underlying Shares (Continued)

Long positions in shares of associated corporation

Name of director	Name of associated corporation	Relationship with the Company	Shares/equity derivative	Number of shares/ equity derivative held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Mao Yu Min	Smart Ascent Limited ("Smart Ascent")	Company's subsidiary	Ordinary shares	2,450	Directly beneficially owned	24.50%

Note:

Extrawell (BVI) Limited ("EBVI"), a wholly owned subsidiary of the Company and Mr. Ong Cheng Heang ("Mr. Ong") each hold 5,100 and 4,900 issued ordinary shares of HK$1.00 each in Smart Ascent. In connection with note (b) under the section "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares", where details of the interest of Dr. Mao Yu Min ("Dr. Mao") in a conditional sale and purchase agreement entered into between Mr. Ong and Dr. Mao dated 6 September 2011, are disclosed.

Save as disclosed above, as at 31 March 2012, none of the directors had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares and Debentures

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

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

At 31 March 2012, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Name of substantial shareholder	*Notes*	Capacity and nature of interest	Number of shares held/entitled	Approximate percentage of interest held
Ease Gold Investments Limited	*a*	Through controlled corporations	480,000,000	20.96%
United Gene-BVI	*a*	Through controlled corporations	480,000,000	20.96%
United Gene Group	*a*	Through controlled corporations	480,000,000	20.96%
HK Biowindow	*a*	Through controlled corporations	480,000,000	20.96%
JNJ Investments	*a*	Directly beneficially owned	450,000,000	19.65%
Ong Cheng Heang	*b*	Directly beneficially owned	150,000,000	6.55%

Notes:

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

The entire issued share capital of each JNJ Investments and FPL is owned by HK Biowindow, and the issued share capital of HK Biowindow is owned by United Gene Group.

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

(b) Mr. Ong Cheng Heang ("Mr. Ong") is interested in 300,000,000 shares (the "Consideration Shares") which are the new shares of the Company to be allotted and issued to Mr. Ong pursuant to a conditional sale and purchase agreement entered into between the Company's wholly owned subsidiary Extrawell (BVI) Limited ("EBVI") as purchaser and Mr. Ong as vendor on 27 July 2007 (the "2007 Agreement") in connection with the proposed acquisition of the 4,900 ordinary shares in Smart Ascent Limited ("Smart Ascent"). The Consideration Shares have not been issued up to the date of this report.

As disclosed in the Company's voluntary announcement dated 7 September 2011, a conditional sale and purchase agreement was entered into between Mr. Ong as vendor and Dr. Mao Yu Min as purchaser on 6 September 2011 (the "SP Agreement") in connection with the sale and purchase of the 150 million of the Consideration Shares (the "Sale Listco Shares") where the 2007 Agreement shall be completed in accordance with its terms or, as the case may be, the 24.5% interest in the share capital of Smart Ascent (the "Sale Smart Shares") where the 2007 Agreement shall lapse or otherwise be terminated in accordance with its terms. Mr. Ong had proposed to the Company that supplemental agreement (the "Proposed Supplemental Agreement") should be entered into between Mr. Ong and EBVI to supplement the 2007 Agreement. The Proposed Supplemental Agreement has not been entered into up to the date of this report.

Save as disclosed above, as at 31 March 2012, no person, other than certain directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Connected and Related Party Transactions

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

(a) Advances made to Smart Ascent Limited ("Smart Ascent")

The Group via its wholly owned subsidiary Extrawell (BVI) Limited ("EBVI") owns 51% interest in Smart Ascent, and the remaining 49% of which is owned by Mr. Ong Cheng Heang ("Mr. Ong"). Since the acquisition of the aforesaid interest in March 2004, EBVI has made advances to Smart Ascent, which are unsecured, non-interest-bearing and repayable on demand ("Advances").

As at 31 March 2012, the outstanding balance of the Advances made by EBVI to Smart Ascent was reduced to approximately HK$14,381,000 (31 March 2011: approximately HK$16,529,000) as a result of settlements between shareholders in respect of their respective contributions to Smart Ascent.

(b) 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.

As Fordnew owns 29% interest in the issued share capital of Fosse Bio and is a substantial shareholder of the latter, the grant of the loan by Smart Ascent to Fordnew constitutes a connected transaction for the Company, which shall be 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 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 Special General Meeting is disclosed in the Company's announcement dated 19 July 2011.

On 22 July 2011, Fordnew made a drawdown notice for the sum of approximately HK$4,807,000 to Smart Ascent so that it could on-lend the sum to Fosse Bio for making progress payment to the project administrator in connection with the service contract for the clinical trial. The aforesaid amount of the loan to Fordnew was contributed by the Company's wholly owned subsidiary EBVI and Mr. Ong based on their respective equity interests of 51% and 49% in Smart Ascent.

(c) Subscription to 20% equity interest in 龍脈(上海)健康管理服務有限公司 ("Shanghai Longmark")

On 13 January 2012, Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd. ("Jilin Extrawell"), a wholly-owned subsidiary of the Company entered into an agreement with Shanghai Longmark and United Gene HealthCare Limited, Shanghai ("Shanghai United Gene") pursuant to which Jilin Extrawell has agreed to subscribe for RMB2,500,000 of the registered capital of Shanghai Longmark by way of capital injection (the "Subscription"). Upon completion, the enlarged registered share capital in total of RMB12,500,000 of Shanghai Longmark will be owned as to 20% by Jilin Extrawell and 80% by Shanghai United Gene.

Shanghai Longmark is an indirect wholly-owned subsidiary of Shanghai United Gene, which is an indirect wholly-owned subsidiary of United Gene High-Tech Group Limited ("UG Listco"), the shares of which are listed on The Stock Exchange of Hong Kong Limited.

Connected and Related Party Transactions (Continued)

(c) Subscription to 20% equity interest in 龍脈(上海)健康管理服務有限公司 ("Shanghai Longmark") (Continued)

As disclosed in the Company's announcement dated 13 January 2012, Dr. Mao Yu Min ("Dr. Mao"), the chairman and one of the substantial shareholders of the Company who held approximately 21.0% of the issued share capital of the Company through controlled corporations, was also the honorary chairman and controlling shareholder of UG Listco, interested in approximately 50.8% of the issued share capital of UG Listco. Accordingly, each of Shanghai Longmark and Shanghai United Gene is an associate of Dr. Mao and a connected person of the Company, and the Subscription constitutes a connected transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

On 6 March 2012, the said RMB2,500,000 was paid by Jilin Extrawell, which was deposited into a bank account as designated by Shanghai Longmark for capital injection purpose. At 10 April 2012, the registered capital of Shanghai Longmark has been enlarged to RMB12,500,000 and owned as to 20% by Jilin Extrawell and 80% by Shanghai United Gene.

(d) Provision of financial assistance to Shanghai Longmark

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

As disclosed in the Company's announcement dated 16 May 2012, Shanghai Longmark is an associate of Dr. Mao and Dr. Xie and a connected person of the Company, the Loan Agreement constitutes a connected transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, and it is also a discloseable transaction of the Company which is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

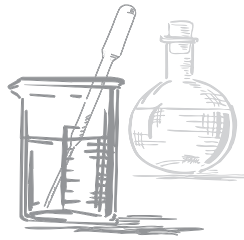
On 18 May 2012, Shanghai Longmark made a drawdown notice to Jilin Extrawell for the sum of RMB5,000,000 pursuant to the Loan Agreement, and accordingly Jilin Extrawell provided the said amount of the Loan to Shanghai Longmark each of RMB2,500,000 on 25 and 30 May 2012.

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 2012.

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 2012 have been reviewed by the Committee. The Committee is of the opinion that such financial statements comply with the applicable accounting standards, and Stock Exchange's and legal requirements, and that adequate disclosures have been made.

Independent Auditors

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

On behalf of the Board

Dr. Mao Yu Min
Chairman

Hong Kong, 29 June 2012

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 30 to 85, which comprise the consolidated and company statements of financial position as at 31 March 2012, 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 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Significant Matters

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

(a) Included in Intangible Assets as at 31 March 2012 is the technological know-how with the carrying value of approximately HK$284,260,000 (2011: HK$284,260,000) (the "Know-how") in relation to an oral insulin product (the "Product") and the exclusive right for the commercialisation of the Product owned by the Group. The Know-how is held by an indirect subsidiary of the Group, Fosse Bio-Engineering Development Limited ("Fosse Bio"), a company in which an indirect subsidiary of the Group, Smart Ascent Limited ("Smart Ascent") had acquired a 51% interest in November 2003, and through the Group's acquisition of a 51% interest in Smart Ascent in March 2004. In an appraisal conducted by an independent professional valuer, the Know-how is valued at an amount that is not less than HK$284,260,000 as at 31 March 2012. Notwithstanding this valuation, the recoverability of the carrying value of the Know-how is still uncertain as it depends upon the result of the clinical trial and the successful launching of the Product. Should the outcome of the clinical trial and the launching of the Product be unsuccessful, material adjustments may have adverse effect on the business and results of the Group.

(b) In connection with the acquisition of the shares of Fosse Bio as referred to in the above paragraph, Smart Ascent owed the vendor of the sales of the 51% interest of Fosse Bio (the "Fosse Bio Vendor") the amount of HK$31,780,000 (2011: HK$31,780,000), being the third and fourth installments of the consideration for the 51% interest of Fosse Bio. The repayment of these two installments is to be made upon the issuance of certain certificates of the clinical trial as well as the Product by the State Food and Drug Administration of the PRC. At the time when the Group acquired the 51% interest in Smart Ascent, this liability continues to exist but the vendors of the sales of the 51% interest of Smart Ascent (the "Smart Ascent Vendors") undertook to pay the full HK$31,780,000 as and when the amount becomes due and payable. As security for this undertaking, Mr. Ong Cheng Heang ("Mr. Ong"), a non-controlling interest of Smart Ascent pledged to the Group his shares of Smart Ascent representing the balance of the 49% interest in Smart Ascent. There is no assurance that the Smart Ascent Vendors are capable of repaying the full HK$31,780,000. While this risk of recoverability is mitigated by the shares representing the 49% interest in Smart Ascent, the risk continues to exist in the event that the Group fails to realise the profitability from the Product as mentioned in the above paragraph, it would suffer a further loss in respect of this amount of HK$31,780,000. In addition, the Group has entered into an agreement to acquire from Mr. Ong the pledged of his 49% interest. Similar to the matter mentioned in Paragraph (a) above, the risks in relation to the Product will affect the Group's ability to recover the payment for this liability of HK$31,780,000.

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

East Asia Sentinel Limited
Certified Public Accountants

So Kwok Keung Keith
Director
Practising Certificate No. P1724

Hong Kong, 29 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
TURNOVER	7	**157,406**	198,816
COST OF SALES		**(109,943)**	(146,785)
GROSS PROFIT		**47,463**	52,031
OTHER REVENUES	8	**3,561**	8,335
RECLASSIFICATION FROM TRANSLATION RESERVE		**8,384**	—
SELLING AND DISTRIBUTION EXPENSES		**(10,430)**	(17,506)
ADMINISTRATIVE EXPENSES		**(27,230)**	(29,418)
RESEARCH AND DEVELOPMENT EXPENSES	9	**(4,885)**	(8,339)
PROFIT BEFORE TAXATION	9	**16,863**	5,103
TAXATION	10	**(926)**	(1,055)
PROFIT FOR THE YEAR		**15,937**	4,048
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
RECLASSIFICATION FROM TRANSLATION RESERVE		**(8,384)**	—
EXCHANGE REALIGNMENT	32(b)	**7,251**	6,139
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**14,804**	10,187
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		**20,414**	11,567
NON-CONTROLLING INTERESTS		**(4,477)**	(7,519)
		15,937	4,048
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		**19,281**	17,359
NON-CONTROLLING INTERESTS		**(4,477)**	(7,172)
		14,804	10,187
		HK cents	HK cents
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
BASIC	14	**0.89**	0.51
DILUTED	14	**N/A**	N/A

The notes on pages 36 to 85 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**50,555**	49,657
Prepaid land lease payments	17	**24,201**	23,691
Intangible assets	18	**286,675**	286,936
Amounts due from non-controlling interests	19	**6,140**	12,970
Loan to a non-controlling interest	19	**4,807**	—
		372,378	373,254
CURRENT ASSETS			
Inventories	21	**12,980**	15,232
Trade receivables	22	**73,593**	72,575
Deposits, prepayments and other receivables	23	**69,182**	57,712
Amount due from a non-controlling interest	19	**—**	3
Pledged bank deposits	24	**19,600**	20,743
Cash and cash equivalents	25	**140,071**	124,573
		315,426	290,838
CURRENT LIABILITIES			
Trade and bills payables	26	**10,527**	7,152
Accruals and other payables	27	**22,884**	35,949
Amounts due to non-controlling interests	28	**39,389**	36,778
Tax payables	10	**1,304**	1,987
		74,104	81,866
NET CURRENT ASSETS		**241,322**	208,972
TOTAL ASSETS LESS CURRENT LIABILITIES		**613,700**	582,226
NON-CURRENT LIABILITIES			
Amounts due to non-controlling interests	28	**15,195**	21,851
Loan from a non-controlling interest	28	**4,807**	—
Deferred income	29	**18,519**	—
Deferred tax liabilities	30	**102**	102
		38,623	21,953
NET ASSETS		**575,077**	560,273
CAPITAL AND RESERVES			
Share capital	31	**22,900**	22,900
Reserves	32	**350,536**	331,255
Equity attributable to equity holders of the Company		**373,436**	354,155
Non-controlling interests		**201,641**	206,118
TOTAL EQUITY		**575,077**	560,273

Mao Yu Min
Director

Xie Yi
Director

The notes on pages 36 to 85 form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	*20*	**155,982**	131,568
CURRENT ASSETS			
Dividend receivables		**31,014**	61,049
Deposits, prepayments and other receivables	*23*	**221**	221
Cash and cash equivalents	*25*	**56,548**	56,136
		87,783	117,406
CURRENT LIABILITIES			
Accruals and other payables	*27*	**493**	429
NET CURRENT ASSETS		**87,290**	116,977
NET ASSETS		**243,272**	248,545
CAPITAL AND RESERVES			
Share capital	*31*	**22,900**	22,900
Reserves	*32*	**220,372**	225,645
TOTAL EQUITY		**243,272**	248,545

Mao Yu Min	**Xie Yi**
Director	*Director*

The notes on pages 36 to 85 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Attributable to the equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000 *(note 32(b)(i))*	Capital reserve HK$'000 *(note 32(b)(ii))*	Contributed surplus HK$'000 *(note 32(b)(iii))*	Foreign currency translation reserve HK$'000 *(note 32(b)(iv))*	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
FOR THE YEAR ENDED 31 MARCH 2011									
At 1 April 2010	22,900	133,717	6,542	4,839	31,482	137,316	336,796	213,290	550,086
Comprehensive income									
Profit for the year	—	—	—	—	—	11,567	11,567	(7,519)	4,048
Other comprehensive income									
Currency translation differences	—	—	—	—	5,792	—	5,792	347	6,139
Total comprehensive income	—	—	—	—	5,792	11,567	17,359	(7,172)	10,187
At 31 March 2011	22,900	133,717	6,542	4,839	37,274	148,883	354,155	206,118	560,273
FOR THE YEAR ENDED 31 MARCH 2012									
At 1 April 2011	**22,900**	**133,717**	**6,542**	**4,839**	**37,274**	**148,883**	**354,155**	**206,118**	**560,273**
Comprehensive income									
Profit for the year	**—**	**—**	**—**	**—**	**—**	**20,414**	**20,414**	**(4,477)**	**15,937**
Other comprehensive income									
Currency translation differences	**—**	**—**	**—**	**—**	**7,251**	**—**	**7,251**	**—**	**7,251**
Reclassification of translation reserve *(note)*	**—**	**—**	**—**	**—**	**(8,384)**	**—**	**(8,384)**	**—**	**(8,384)**
Total comprehensive income	**—**	**—**	**—**	**—**	**(1,133)**	**20,414**	**19,281**	**(4,477)**	**14,804**
At 31 March 2012	**22,900**	**133,717**	**6,542**	**4,839**	**36,141**	**169,297**	**373,436**	**201,641**	**575,077**

Note:

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

The notes on pages 36 to 85 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**16,863**	5,103
Adjustments for:		
Amortisation of intangible assets	**292**	283
Amortisation of prepaid land lease payments	**561**	536
Depreciation of property, plant and equipment	**3,213**	3,018
Impairment on trade receivables	**4,716**	4,282
Impairment on other receivables	**304**	1,469
Increase in allowance for obsolete inventories	**51**	—
Net loss on disposal of property, plant and equipment	**66**	—
Reclassification from translation reserve	**(8,384)**	—
Reversal of impairment on trade receivables	**(4,001)**	(3,257)
Interest income	**(1,730)**	(931)
Operating profit before changes in working capital	**11,951**	10,503
Decrease in inventories	**2,201**	7,889
(Increase)/decrease in trade receivables	**(1,733)**	11,156
(Increase)/decrease in deposits, prepayments and other receivables	**(11,774)**	1,123
Increase/(decrease) in trade and bills payables	**3,375**	(1,327)
(Decrease) in accruals and other payables	**(13,065)**	(10,363)
Increase in deferred income	**18,519**	—
Cash generated from operations	**9,474**	18,981
Income tax paid	**(1,728)**	(1,239)
Interest income received	**1,730**	931
NET CASH GENERATED FROM OPERATING ACTIVITIES	**9,476**	18,673
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of prepaid land lease payments	**—**	(10,184)
Proceeds from disposals of property, plant and equipment	**693**	—
Purchases of property, plant and equipment	**(2,743)**	(1,065)
Decrease/(increase) in pledged bank deposits	**1,143**	(164)
NET CASH (USED IN) INVESTING ACTIVITIES	**(907)**	(11,413)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease/(increase) in amounts due from non-controlling interests	2,026	(3,372)
Increase in amounts due to non-controlling interests	762	11,566
NET CASH GENERATED FROM FINANCING ACTIVITIES	2,788	8,194
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,357	15,454
EFFECT ON FOREIGN EXCHANGE RATE CHANGES	4,141	4,132
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	124,573	104,987
CASH AND CASH EQUIVALENTS AT END OF YEAR	140,071	124,573
ANALYSIS OF THE CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	140,071	124,573

The notes on pages 36 to 85 form an integral part of these consolidated financial statements.

1. General Information

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

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 20 to the consolidated financial statements.

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which in 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 annual financial year beginning on 1 April 2011 and relevant to the Group

Revised HKAS 24 (revised), "Related party disclosures", issued in November 2009. It supersedes HKAS 24, "Related party disclosures", issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities, if any. The adoption of this revised standard has no significant impact to the Group's consolidated financial statements.

The "Improvements to HKFRSs (2010)" comprises a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. The impact of these amendments is not considered to be material to the Group and have not resulted in changes to the Group's accounting policies.

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

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

	Effective for accounting periods beginning on or after
HKAS 1 (Revised), "Presentation of financial statements"	1 July 2012
HKAS 27 (Revised), "Separate financial statements"	1 January 2013
HKFRS 9, "Financial instruments"	1 January 2015
HKFRS 10, "Consolidated financial statements"	1 January 2013
HKFRS 13, "Fair value measurement"	1 January 2013

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

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

2. Basis of Preparation (Continued)

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

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

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

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

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

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.

3. Significant Accounting Policies (Continued)

(a) Consolidation (Continued)

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

Inter-company transactions, balances, and unrealised gains or losses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

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

3. Significant Accounting Policies (Continued)

(b) Intangible assets

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

(i) Technological know-how

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

(ii) Gene invention rights

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

(iii) Goodwill

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

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

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

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

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

3. Significant Accounting Policies (Continued)

(c) Segment reporting

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

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group entities

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

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

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

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

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

3. Significant Accounting Policies (Continued)

(e) Property, plant and equipment

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

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

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

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

The assets' residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

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

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

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

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

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

3. Significant Accounting Policies (Continued)

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

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.

(g) Inventories

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

(h) Receivables

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

(i) Cash and cash equivalents

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

(j) Payables

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

3. Significant Accounting Policies (Continued)

(k) Borrowings

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

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

(l) Provisions

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

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

(m) Income tax

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

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

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

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

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

3. Significant Accounting Policies (Continued)

(m) Income tax (Continued)

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.

(n) Employee benefits

(i) Employee leave entitlements

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

(ii) Pension obligations

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

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

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

(iii) Termination benefits

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

3. Significant Accounting Policies (Continued)

(o) Revenue recognition

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

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

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

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

Sundry income is recognised on an accrual basis.

(p) Leases

(i) Operating leases (As a lessee)

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

(ii) Lease of land and building

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

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

(q) Research and development expenditure

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

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

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

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

3. Significant Accounting Policies (Continued)

(q) Research and development expenditure (Continued)

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

(r) 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 (2011: HK$284,260,000) which is not yet available for use. It also performs impairment review on the intangible assets in respect of the general pharmaceutical products and goodwill with the carrying amount of approximately HK$608,000 and HK$1,807,000 respectively (2011: HK$869,000 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. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations. Where the actual outcome in future is different from the original estimates, such difference will impact the carrying value of the intangible assets and the impairment on intangible assets in the year in which such estimate has been changed.

(b) Impairment loss for bad and doubtful debts

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

(c) Allowance for slow-moving and obsolete inventories

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

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

4. Critical Judgement in Applying Policies (Continued)

(d) Income taxes

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

5. Financial Risk Management

The Group's major financial instruments include trade receivables, deposits, prepayments and other receivables, cash and cash equivalents, amounts due from/(to) non-controlling interests, trade and bills payables, and accruals and other payables. Details of these financial instruments are disclosed in respective notes.

The Group's activities expose it to a variety of financial risks such as foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The management monitors and manages the financial risks through internal risk assessment which analyses exposures by degree and magnitude of risks.

(a) Foreign exchange risk

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

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

At 31 March 2012, if Renminbi had strengthened/weakened by 1% (2011: 1%) against the Hong Kong dollars with all other variables held constant, the Group's pre-tax profit for the year would have been higher/lower by HK$120,000 (2011: HK$135,000), mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated net assets/liabilities, representing trade and other receivables, cash and cash equivalents, trade and bills payables, and accruals and other payables.

5. Financial Risk Management (Continued)

(b) Credit risk

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

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

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

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

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

(c) Liquidity risk

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

5. Financial Risk Management (Continued)

(c) Liquidity risk (Continued)

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

The Group

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Total HK$'000
At 31 March 2012			
Trade and bills payables	**10,527**	**—**	**10,527**
Accruals and other payables	**22,884**	**—**	**22,884**
Amounts due to non-controlling interests	**39,389**	**15,195**	**54,584**
Loan from a non-controlling interest	**—**	**4,807**	**4,807**
	72,800	**20,002**	**92,802**
At 31 March 2011			
Trade and bills payables	7,152	—	7,152
Accruals and other payables	35,949	—	35,949
Amounts due to non-controlling interests	36,778	21,851	58,629
	79,879	21,851	101,730

The Company

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Total HK$'000
At 31 March 2012			
Accruals and other payables	**493**	**—**	**493**
At 31 March 2011			
Accruals and other payables	429	—	429

5. Financial Risk Management (Continued)

(d) Interest rate risk

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

At 31 March 2012, 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$763,000 increase/decrease (2011: consolidated profit for the year would have been approximately HK$765,000 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 People's Republic of China (the "PRC"), and over 90% of the Group's assets and capital expenditures are located in the PRC.

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

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

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

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

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

6. Segment Information (Continued)

Business segments

The following table provides an analysis of the Group's revenue, results and certain assets, liabilities and expenditures information by business nature for the year ended 31 March 2012 and 31 March 2011.

	Manufacturing		Trading		Gene development		Oral insulin		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue										
Sales to external customers	**51,673**	39,888	**105,733**	158,928	**—**	—	**—**	—	**157,406**	198,816
Segment results	**2,067**	2,492	**25,054**	17,883	**(66)**	(66)	**(6,634)**	(11,071)	**20,421**	9,238
Interest income									**1,730**	931
Net unallocated expenses									**(5,288)**	(5,066)
Profit before taxation									**16,863**	5,103
Taxation									**(926)**	(1,055)
Profit for the year									**15,937**	4,048
Segment assets	**184,992**	156,050	**98,591**	76,590	**6**	5	**303,611**	312,386	**587,200**	545,031
Unallocated assets									**100,604**	119,061
Total assets									**687,804**	664,092
Segment liabilities	**32,731**	13,155	**19,613**	29,705	**50**	50	**27,856**	27,809	**80,250**	70,719
Unallocated liabilities									**32,477**	33,100
Total liabilities									**112,727**	103,819
Depreciation and amortisation	**3,667**	3,159	**268**	426	**—**	—	**—**	—	**3,935**	3,585
Unallocated depreciation and amortisation									**131**	252
									4,066	3,837
Other non-cash expenses, other than depreciation and amortisation:										
Impairment on trade receivables	**4,550**	4,062	**166**	220	**—**	—	**—**	—	**4,716**	4,282
Impairment on other receivables	**304**	482	**—**	—	**—**	—	**—**	987	**304**	1,469
Increase in allowance for obsolete nivelntories	**51**	—	**—**	—	**—**	—	**—**	—	**51**	—
Loss on disposal of property, plant and equipment	**—**	—	**254**	—	**—**	—	**—**	—	**254**	—
Unallocated loss on disposal of property, plant and equipment									**—**	—
									254	—

7. Turnover

	2012 HK$'000	2011 HK$'000
Manufacturing of pharmaceutical products	**51,673**	39,888
Trading of pharmaceutical products	**105,733**	158,928
	157,406	198,816

8. Other Revenues

	2012 HK$'000	2011 HK$'000
Exchange gain	**1,635**	113
Interest income	**1,730**	931
Gain on disposal of property, plant and equipment	**188**	—
Sundry income	**8**	7,291
	3,561	8,335

9. Profit Before Taxation

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

	2012 HK$'000	2011 HK$'000
Amortisation of prepaid land lease payments	**561**	536
Amortisation of intangible assets	**292**	283
Auditors' remuneration	**660**	660
Cost of sales*	**109,943**	146,785
Depreciation of property, plant and equipment	**3,213**	3,018
Increase in allowance for obsolete inventories	**51**	—
Impairment on other receivables	**304**	1,469
Impairment on trade receivables	**4,716**	4,282
Reversal of impairment on trade receivables	**(4,001)**	(3,257)
Loss on disposal of property, plant and equipment	**254**	—
Operating lease charges in respect of land and buildings	**2,068**	2,218
Research and development expenses**	**4,885**	8,339
Staff cost (including directors' emoluments)		
— Salaries, bonus and allowances	**25,834**	36,842
— Retirement benefits scheme contributions	**2,402**	2,144

Note:

* *Cost of sales included staff cost and depreciation of property, plant and equipment of approximately HK$8,174,000 (2011: HK$7,159,000) for the year.*

** *Expenditure incurred on oral insulin project for the year was HK$4,414,000 (2011: HK$8,126,000) and the amount incurred on other projects for the year was HK$471,000 (2011: HK$213,000).*

10. Taxation

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

	2012 HK$'000	2011 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	76	85
(Over)/under-provision in prior years	(1)	6
	75	91
Current tax — Overseas		
Provision for the year	851	967
(Over)-provision in prior years	—	(3)
	851	964
Income tax charge	926	1,055

Hong Kong Profits Tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year. Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Under the Enterprise Income Tax Law (the "EIT Law"), the PRC enterprise income tax has been standardised at the rate of 25%. However, certain subsidiaries of the Company have been granted preferential tax treatments prior to the introduction of the EIT Law. They continue to enjoy the preferential tax treatment and are subject to the enterprise income tax at the rate of 24% for 2011. The enterprise income tax rate would increase from 24% to 25% in 2012 according to the grandfathering rules stipulated in the Implementation Rules and related circulars.

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

	2012 HK$'000	2011 HK$'000
At 1 April	1,987	2,136
Provision for the year	927	1,052
Tax paid for the year	(1,728)	(1,239)
(Over)/under-provision in prior years	(1)	3
Translation difference	119	35
At 31 March	1,304	1,987

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:

	2012 HK$'000	2011 HK$'000
Profit before taxation	16,863	5,103
Tax at the statutory tax rates applicable to the respective tax jurisdictions	(689)	(1,412)
Tax effect on expenses not deductible	1,861	2,786
Tax effect on income not taxable	(393)	(441)
Tax effect of temporary differences not recognised	148	13
(Over)/under-provision in prior years	(1)	64
Others	—	45
Income tax charge	926	1,055

11. Directors' Emoluments and the Five Highest Paid Individuals

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

(a) Directors' emoluments

	Fee		Salaries, bonus and other benefits		Pension scheme contributions		Total	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK'000	2012 HK$'000	2011 HK$'000
Name of director								
Mao Yu Min	40	40	488	712	—	—	528	752
Xie Yi	40	40	975	975	—	—	1,015	1,015
Lou Yi	40	40	325	320	—	—	365	360
Wong Sau Kuen	40	40	538	511	12	12	590	563
Fang Lin Hu	40	40	—	—	—	—	40	40
Xue Jing Lun	40	40	—	—	—	—	40	40
Jin Song	40	40	—	—	—	—	40	40
	280	280	2,326	2,518	12	12	2,618	2,810

11. Directors' Emoluments and the Five Highest Paid Individuals (Continued)

(a) Directors' emoluments (Continued)

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.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2011: three) directors whose emoluments are shown in note 11(a). The emoluments paid to the remaining two individuals (2011: two) during the year are as follows:

	2012 HK$'000	2011 HK$'000
Salaries and allowance	1,482	1,455
Pension scheme contributions	24	24
	1,506	1,479

	Number of individuals	
	2012	2011
Emolument bands		
HK$Nil to HK$1,000,000	2	2

12. Retirement Benefit Scheme

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

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

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

13. Loss/Profit Attributable to Equity Holders of the Company

The loss attributable to equity holders of the Company is dealt with in the statement of comprehensive income of the Company to the extent of HK$5,273,000 (2011: profit attributable to equity holders of HK$45,974,000).

14. Earnings Per Share

The calculation of the basic earnings per share is based on the profit attributable to the Company's equity holders of approximately HK$20,414,000 (2011: profit attributable to the Company's equity holders of approximately HK$11,567,000) and on the weighted average of 2,290,000,000 (2011: 2,290,000,000) ordinary shares in issue during the year.

As there were no potential dilutive ordinary shares in existence for each of the years ended 31 March 2012 and 31 March 2011 and accordingly, no diluted earnings per share have been presented.

15. Dividends

The directors do not recommend the payment of dividend for the year ended 31 March 2012 (2011: HK$Nil).

16. 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 2010	58,573	—	28,842	7,270	6,168	100,853
Additions	—	—	330	103	632	1,065
Exchange realignments	1,686	—	1,018	153	195	3,052
At 31 March 2011	60,259	—	30,190	7,526	6,995	104,970
Additions	—	1,875	771	97	—	2,743
Disposal	—	—	—	(935)	(2,355)	(3,290)
Exchange realignments	2,442	—	1,491	107	199	4,239
At 31 March 2012	62,701	1,875	32,452	6,795	4,839	108,662
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April 2010	18,575	—	22,198	5,230	4,805	50,808
Charge for the year	1,010	—	1,085	456	467	3,018
Exchange realignments	386	—	826	116	159	1,487
At 31 March 2011	19,971	—	24,109	5,802	5,431	55,313
Charge for the year	1,441	—	1,143	259	370	3,213
Written back on disposal	—	—	—	(681)	(1,850)	(2,531)
Exchange realignments	606	—	1,274	70	162	2,112
At 31 March 2012	22,018	—	26,526	5,450	4,113	58,107
CARRYING AMOUNT						
At 31 March 2012	40,683	1,875	5,926	1,345	726	50,555
At 31 March 2011	40,288	—	6,081	1,724	1,564	49,657

Depreciation of property, plant and equipment of HK$937,000 (2011: HK$1,204,000) has been charged in administrative expenses and HK2,276,000 (2011: HK$1,814,000) has been charged in cost of sales.

17. Prepaid Land Lease Payments

The Group:

	HK$'000
COST	
At 1 April 2010	23,966
Additions *(note)*	10,184
Exchange realignments	592
At 31 March 2011	34,742
Exchange realignments	1,360
At 31 March 2012	36,102
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 April 2010	10,332
Charge for the year	536
Exchange realignments	183
At 31 March 2011	11,051
Charge for the year	561
Exchange realignments	289
At 31 March 2012	11,901
CARRYING AMOUNT	
At 31 March 2012	24,201
At 31 March 2011	23,691

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

	2012 **HK$'000**	2011 HK$'000
Land outside Hong Kong :		
Medium-term leases	**24,201**	23,691

Amortisation of prepaid land lease payments of HK$53,000 (2011: HK$53,000) has been charged in administrative expenses and HK$508,000 (2011: HK$483,000) has been charged in cost of sales.

Note:

During the year ended 31 March 2011, Changchun Extrawell Pharmaceutical Co. Ltd. ("CEP") entered into a sale and purchase agreement with an independent third party for acquisition of a piece of land in Changchun, the PRC. CEP has paid in full the consideration of RMB8,657,000 (equivalent to HK$10,184,000) and has booked the payment as prepaid land lease payment. CEP is still in the process of obtaining the land use right certificate for the piece of land acquired.

18. Intangible Assets

The Group:

	Technological know-how HK$'000 *(note)*	Gene invention rights HK$'000	Goodwill HK$'000	Total HK$'000
COST				
At 1 April 2010	294,793	95,000	1,807	391,600
Exchange realignments	372	—	—	372
At 31 March 2011	295,165	95,000	1,807	391,972
Exchange realignments	539	—	—	539
At 31 March 2012	295,704	95,000	1,807	392,511
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 April 2010	9,414	95,000	—	104,414
Charge for the year	283	—	—	283
Exchange realignments	339	—	—	339
At 31 March 2011	10,036	95,000	—	105,036
Charge for the year	292	—	—	292
Exchange realignments	508	—	—	508
At 31 March 2012	10,836	95,000	—	105,836
CARRYING AMOUNT				
At 31 March 2012	284,868	—	1,807	286,675
At 31 March 2011	285,129	—	1,807	286,936

Amortisation of intangible assets of HK$292,000 (2011: HK$283,000) has been charged in cost of sales.

18. Intangible Assets (Continued)

Note:

Included in the technological know-how of approximately HK$284,260,000 (2011: HK$284,260,000) (the "Know-how") represents an oral insulin product (the "Product") and the exclusive right for the commercialisation of the Product. The Product was co-developed by Fosse Bio-Engineering Development Limited ("Fosse Bio"), a subsidiary acquired by the Group during the year ended 31 March 2005, and Tsinghua University, Beijing ("THU"). Fosse Bio and THU jointly applied for a patent registration (the "Patent") in respect of the Know-how in the PRC and the United States of America (the "USA"). The Patent was granted by State Intellectual Property Office of the PRC and United 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 independent professional valuer had prepared a valuation report, providing a value as of 31 March 2012 that is no less than the carrying amount of the Know-how of HK$284,260,000. Should the approval of results of the clinical trial fail, the certificate of new medicine cannot be obtained from the State Food and Drug Administration ("SFDA") of the PRC or the launching of the Product is unsuccessful, adjustments would have to be made against the carrying amount of the Know-how.

The remaining carrying amount of the technological know-how of approximately HK$608,000 (2011: HK$869,000) represents the technological know-how in relation to the manufacture and sales of pharmaceutical products held by another subsidiary, Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd. ("JECP").

The directors of the Company have conducted an annual assessment on the recoverable amount of the technological know-how held by JECP and considered that no further provision for impairment is required (2011: HK$Nil) for the year.

Goodwill represents the excess of the cost of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities arising from an acquisition of additional 5.49% interests in CEP from a non-controlling interest in 2009. The carrying amount of goodwill was allocated to the cash-generating units ("CGU") of the Group's operations related to manufacturing of pharmaceutical products.

The recoverable amounts of the relevant CGU have been determined on the basis of value-in-use calculations. For the purpose of impairment testing, the recoverable amount for the CGU is determined based on its fair value less cost to sell or value-in-use calculations. The key assumption for the Group has been determined by the Group's management based on the future income generated from the acquisition of the additional interests in CEP. The directors are of the opinion that no impairment provision is required on goodwill for the year.

19. Amounts Due from Non-Controlling Interests and Loan to a Non-Controlling Interest

	2012 HK$'000	2011 HK$'000
Amounts due from Non-Controlling Interests		
Non-current portion:		
Fordnew Industrial Limited *(notes b, c and e)*	**3,634**	7,676
Zheng Chang Xue *(notes b, c and e)*	**1,044**	2,205
Hou Shi Chang *(notes b, c, d and e)*	**184**	389
Groupmark Investment Group Limited *(notes b, c and e)*	**971**	2,051
Feel So Good Limited *(notes b, c and e)*	**307**	649
	6,140	12,970
Current portion:		
Hou Shi Chang *(notes a, d and f)*	**—**	3
Loan to a Non-Controlling Interest		
Non-current portion:		
Fordnew Industrial Limited *(note g)*	**4,807**	—

Notes:

(a) *The amount due is unsecured, interest-free and repayable on demand.*

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

(c) *The amounts represent outstanding contributions' receivable from non-controlling interests of Fosse Bio which made calls from its shareholders to contribute based on their respective equity interests in the company in respect of working capital and operation funds for the further clinical trial of the oral insulin project. The aggregate contribution calls in relation thereof are recorded as amounts due to non-controlling interests in note 28.*

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

(e) *The amounts due are denominated in Renminbi.*

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

(g) *This represents a loan made by Smart Ascent Limited to Fordnew Industrial Limited pursuant to the loan agreement dated 25 May 2011. The loan is denominated in Hong Kong dollars, which is unsecured and non-interest bearing. Details of the loan are disclosed in note 28(g) and note 37 to these consolidated financial statements.*

20. Interests in Subsidiaries

	2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	**52,990**	52,990
Add : Amounts due from subsidiaries	**145,600**	123,236
	198,590	176,226
Less : Amounts due to subsidiaries	**(24,778)**	(26,828)
Impairment on interests in subsidiaries	**(17,830)**	(17,830)
	155,982	131,568

Particulars of the Company's principal subsidiaries as at 31 March 2012 are as follows:

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

20. Interests in Subsidiaries (Continued)

Name	Place of incorporation/ registration and operations	Issued and paid-up capital/registered capital	Percentage of ownership/interest Direct	Indirect	Principal activities
Smart Phoenix Holdings Limited	BVI	100 ordinary shares of US$1 each	—	100%	Investment holding
CEP *(note b)*	The PRC	RMB50,000,000	—	73%	Development, manufacture and sales of pharmaceutical products
Best-Bio Developments Limited ("Best-Bio")	BVI	1 ordinary share of US$1 each	—	100%	Investment holding
Right & Rise Limited ("R&R")	BVI	50,000 ordinary shares of US$1 each	—	100%	Holding of gene invention rights and investment holding
Grand Success Management Limited ("Grand Success")	BVI	50,000 ordinary shares of US$1 each	—	75%	Holding of gene invention rights
Smart Ascent Limited ("Smart Ascent") *(note c)*	Hong Kong	10,000 ordinary shares of HK$1 each	—	51%	Investment holding
Fosse Bio-Engineering Development Limited ("Fosse Bio") *(notes c and d)*	Hong Kong/ The PRC	100,000 ordinary shares of HK$1 each	—	26%	Development and commercialisation of oral insulin products
Welly Surplus Development Limited ("Welly Surplus") *(note d)*	Hong Kong	100 ordinary shares of HK$1 each	—	26%	Inactive

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

20. Interests in Subsidiaries (Continued)

Notes:

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

(b) *CEP is a joint stock limited company. It was initially established in the PRC for an operating period of 15 years commencing from 8 August 1992. After transforming into a joint stock limited company, the operating period became indefinite. During the year ended 31 March 2010, the Group had acquired an additional 5.49% interests from a non-controlling interest and as a result the equity interest of the Group increased from approximately 68% to 73%.*

(c) *The interest in Fosse Bio was originally acquired in November 2003 by Smart Ascent, an indirect subsidiary in which the Group holds 51% interest. Two installments of the consideration for acquiring the 51% interest in Fosse Bio, amounting to HK$31,780,000 remain unpaid by Smart Ascent as at 31 March 2012. These two installments are to be paid as to HK$12,000,000 within 14 days from the issuance of the certificate of phase III clinical trial of the Product (as mentioned in note 18) by the SFDA and as to HK$19,780,000 within 14 days from the issuance of the certificate of new medicine for the Product by the SFDA. The unpaid installments are included in amounts due to non-controlling interests.*

At the time when the Group acquired the 51% interest in Smart Ascent, the vendors of the shares of Smart Ascent (the "Smart Ascent Vendors") undertook to repay the outstanding consideration of HK$31,780,000 as referred to in the above paragraph. The Smart Ascent Vendors had pledged the shares representing 49% interest in Smart Ascent. Further discussion of the amounts due from the Smart Ascent Vendors is set out in note 23(b).

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

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

Pursuant to an announcement dated 23 July 2009, the Company submitted a report as prepared by the Independent Board to the Stock Exchange for the purpose of the Company's application of lifting the suspension of trading of the Company's shares on the Stock Exchange. The report identified, amongst other matters, that the Group had also failed to disclose the advances made by EBVI, a wholly owned subsidiary of the Company to Smart Ascent during the three years ended 31 March 2007 which should have constituted connected transactions, as a result of the matters disclosed in the above paragraphs. Further announcement was made by the Company on 14 August 2009, which disclosed that the advances constituted connected transactions which should have been subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules, and details of advances made were further disclosed in the Company's 2010 Annual Report. Pursuant to the Company's announcement dated 23 December 2009, the Company had fulfilled all resumption conditions and trading in the Company's shares was resumed on 24 December 2009.

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

21. Inventories

The Group:

	2012 HK$'000	2011 HK$'000
Raw materials	3,176	2,390
Work in progress	1,622	1,470
Finished goods	4,930	11,925
Goods-in-transit	3,856	—
	13,584	15,785
Less: Provision for obsolete inventories	(604)	(553)
	12,980	15,232

Amount of inventories recognised as expenses approximates the cost of sales as shown in the consolidated statement of comprehensive income for both years.

22. Trade Receivables

The Group:

	2012 HK$'000	2011 HK$'000
Trade receivables	94,011	91,351
Less: Impairment on trade receivables	(20,418)	(18,776)
Trade receivables, net of provision	73,593	72,575
Maximum exposure to credit risk	73,593	72,575

The carrying amounts of trade receivables approximate their fair values as at 31 March 2012 and 31 March 2011. The Group does not hold any collateral over these balances.

22. Trade Receivables (Continued)

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

	2012 HK$'000	2011 HK$'000
Within 90 days	28,398	25,910
Between 91 to 180 days	20,367	16,240
Between 181 to 365 days	24,828	30,425
Between 1 to 2 years	4,716	4,282
Over 2 years	15,702	14,494
	94,011	91,351

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

	2012 HK$'000	2011 HK$'000
Within 90 days	28,398	25,910
Between 91 to 180 days	20,367	16,240
Between 181 to 365 days	24,828	30,425
	73,593	72,575

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

The movements of impairment on trade receivables are as follows:

	2012 HK$'000	2011 HK$'000
At 1 April	18,776	18,659
Exchange realignments	927	659
Written-off on trade receivables	—	(1,567)
Impairment on trade receivables	4,716	4,282
Reversal of impairment on trade receivables	(4,001)	(3,257)
At 31 March	20,418	18,776

22. Trade Receivables (Continued)

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

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

	2012 HK$'000	2011 HK$'000
Renminbi	48,287	72,575
United States dollars	25,306	—
	73,593	72,575

23. Deposits, Prepayments and Other Receivables

The Group:

	2012 HK$'000	2011 HK$'000
Deposits *(note a)*	3,601	6,450
Other receivables, net of impairment loss	8,716	18,994
Other receivables due from connected persons *(note b)*	31,780	31,780
Other receivables *(note c)*	18,519	—
Maximum exposure to credit risk	62,616	57,224
Prepayments	6,566	488
	69,182	57,712

The Company:

	2012 HK$'000	2011 HK$'000
Prepayments	221	221

23. Deposits, Prepayments and Other Receivables (Continued)

The carrying amounts of the Group's deposits and other receivables approximated their fair values as at 31 March 2012 and 31 March 2011. The Group does not hold any collateral over these balances, except the other receivables due from connected persons as disclosed in note (b) below.

Notes:

(a) *Included RMB2,500,000 (equivalent to approximately HK$3,086,000) paid by JECP on 6 March 2012 to subscribe for 20% equity interest in the enlarged registered capital of 龍脈（上海）健康管理服務有限公司.*

(b) *The amount of HK$31,780,000 included in the Group's other receivables is due from the Smart Ascent Vendors as referred to in note 20(c) who had, in connection with the acquisition by the Group of 51% interest in Smart Ascent, undertaken to repay this amount to the vendor for the interest of 51% in Fosse Bio, being the third and fourth installments of the consideration for this interest in Fosse Bio.*

Risk in respect of the other receivables due from connected persons

As mentioned in note 20(c), the other receivables due from connected persons are secured against the shares representing 49% interest in Smart Ascent held in name of Mr. Ong Cheng Heang. The risk associated with these other receivables is assessed to be the ability of Smart Ascent Vendors to repay the amount in full or the ultimate success of the oral insulin product (please refer to note 18 for details).

(c) *The land use right related to the factory premises of CEP has a lease period until 16 September 2050. During the year 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 held by CEP in return for a compensation with an amount 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$21,126,000) due upon removal of factory premises. The amount of RMB15,000,000 (equivalent to HK$18,519,000) had not been received as at 31 March 2012, and accordingly, the said amount has been recognised as other receivables and deferred income in these consolidated financial statements.*

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

	2012 **HK$'000**	2011 HK$'000
Renminbi	**36,299**	24,861
Hong Kong dollars	**32,883**	32,851
	69,182	57,712

24. Pledged Bank Deposits

The Group:

	2012 HK$'000	2011 HK$'000
Pledged time deposits	**19,600**	20,743

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

	2012 HK$'000	2011 HK$'000
United States dollars	**17,399**	17,263
Hong Kong dollars	**2,201**	3,480
	19,600	20,743

The Group's pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group. The pledged bank deposits are arranged at floating interest rates ranging from 0.35% to 1.23% (2011: 0.51% to 1.1%) per annum.

25. Cash and Cash Equivalents

The Group:

	2012 HK$'000	2011 HK$'000
Cash and bank balances	**140,071**	124,573
Maximum exposure to credit risk	**133,436**	121,178

The Company:

	2012 HK$'000	2011 HK$'000
Cash and bank balances and maximum exposure to credit risk	**56,548**	56,136

25. Cash and Cash Equivalents (Continued)

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

The Group:

	2012 HK$'000	2011 HK$'000
Renminbi	**41,667**	53,930
United States dollars	**86,640**	57,925
Euro	**2,600**	1,467
Hong Kong dollars	**9,164**	11,251
	140,071	124,573

The Company:

	2012 HK$'000	2011 HK$'000
Renminbi	**1,244**	—
United States dollars	**51,982**	50,563
Euro	**1,444**	1,433
Hong Kong dollars	**1,878**	4,140
	56,548	56,136

The cash and cash equivalents are carried at floating interest rates of 0.01% to 1.5% (2011: 0.01% to 0.65%) 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.

26. Trade and Bills Payables

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

The Group:

	2012	2011
	HK$'000	HK$'000
Within 90 days	**7,803**	4,025
Between 91 to 180 days	**1,122**	1,577
Between 181 to 365 days	**207**	178
Between 1 to 2 years	**996**	992
Over 2 years	**399**	380
	10,527	7,152

The carrying amounts of the Group's trade and bills payables approximate their fair values as at 31 March 2012 and 31 March 2011 and are denominated in the following currencies:

	2012	2011
	HK$'000	HK$'000
Renminbi	**3,383**	2,852
United States dollars	**3,288**	4,300
Euro	**3,856**	—
	10,527	7,152

27. Accruals and Other Payables

The Group:

	2012 HK$'000	2011 HK$'000
Accruals and other payables	**22,884**	35,949

The Company:

	2012 HK$'000	2011 HK$'000
Accruals and other payables	**493**	429

The carrying amounts of the Group's and the Company's accruals and other payables approximate their fair values as at 31 March 2012 and 31 March 2011 and are denominated in the following currencies:

The Group:

	2012 HK$'000	2011 HK$'000
Renminbi	**9,587**	34,339
Hong Kong dollars	**13,297**	1,610
	22,884	35,949

The Company:

	2012 HK$'000	2011 HK$'000
Hong Kong dollars	**493**	429

28. Amounts Due to Non-Controlling Interests and Loan from a Non-Controlling Interest

	2012 HK$'000	2011 HK$'000
Amounts due to Non-Controlling Interests		
Non-current portion:		
Ong Cheng Heang *(notes b, c , e and f)*	6,692	7,380
Fordnew Industrial Limited *(notes b, c and e)*	5,032	8,564
Zheng Chang Xue *(notes b, c and e)*	1,446	2,460
Hou Shi Chang *(notes b, c, and e)*	255	434
Groupmark Investment Group Limited *(notes b, c and e)*	1,345	2,289
Feel So Good Limited *(notes b, c and e)*	425	724
	15,195	21,851
Current portion:		
Ong Cheng Heang *(notes a and e)*	6,985	4,374
Fordnew Industrial Limited *(notes a and d)*	32,404	32,404
	39,389	36,778
Loan from a Non-Controlling Interest		
Non-current portion:		
Fordnew Industrial Limited *(note g)*	4,807	—

Notes:

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

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

(c) *The amounts represent contributions made by non-controlling interests of Fosse Bio in respect of working capital and operation funds for the further clinical trial of the oral insulin project, and the corresponding outstanding contributions receivable from them are recorded as amounts due from non-controlling interests in note 19.*

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

(e) *The amounts due are denominated in Renminbi.*

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

(g) *This represents a loan made by Fordnew Industrial Limited ("Fordnew") to Fosse Bio pursuant to the loan agreement entered into between Smart Ascent and Fordnew on 25 May 2011. The loan is denominated in Hong Kong dollars, which is unsecured and non-interest bearing. Details of the loan are disclosed in note 19(g) and note 37 to these consolidated financial statements.*

29. Deferred Income

The land use right related to the factory premises of CEP has a lease period until 16 September 2050. During the year 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 held by CEP in return for a compensation with an amount 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$21,126,000) due upon removal of factory premises. The amount of RMB15,000,000 (equivalent to HK$18,519,000) had not been received as at 31 March 2012, and accordingly, the said amount has been recognised as other receivables and deferred income in these consolidated financial statements.

30. Deferred Tax Liabilities

The deferred tax liabilities at 31 March 2012 arose from accelerated tax depreciation.

At 31 March 2012, the Group has unused tax losses arising in Hong Kong and the PRC of approximately HK$3,458,000 (2011: HK$3,458,000) and HK$5,466,000 (2011: HK$7,478,000) respectively available to offset against future taxable profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Tax losses arising in Hong Kong may be carried forward indefinitely. The tax loss arising in the PRC will expire as follows:

	2012 HK$'000	2011 HK$'000
Year		
2011	**—**	2,197
2012	**781**	745
2013	**1,011**	964
2014	**2,324**	2,215
2015	**1,349**	1,357
2016	**1**	—
	5,466	7,478

31. Share Capital

The Group and the Company:

	Number of shares		**Share capital**	
	2012 '000	2011 '000	**2012 HK$'000**	2011 HK$'000
Ordinary shares of HK$0.01 each Authorised	**20,000,000**	20,000,000	**200,000**	200,000
Issued and fully paid	**2,290,000**	2,290,000	**22,900**	22,900

32. 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 33 of the consolidated financial statements.

(b) Nature and purpose of reserve

(i) Share premium

The funds in the share premium account are distributable in form of fully paid bonus shares.

(ii) Capital reserve

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

(iii) Contributed surplus

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

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with accounting policies set out in note 3(d)(iii) to the consolidated financial statements.

(c) The Company:

	Share premium HK$'000	**Contributed surplus** HK$'000	**Foreign currency translation reserve** HK$'000	**(Accumulated losses)/ retained earnings** HK$'000	**Total** HK$'000
For the year ended 31 March 2011					
At 1 April 2010	133,717	64,636	3,862	(22,544)	179,671
Profit for the year *(note 13)*	—	—	—	45,974	45,974
At 31 March 2011	133,717	64,636	3,862	23,430	225,645
For the year ended 31 March 2012					
At 1 April 2011	**133,717**	**64,636**	**3,862**	**23,430**	**225,645**
Loss for the year *(note 13)*	**—**	**—**	**—**	**(5,273)**	**(5,273)**
At 31 March 2012	**133,717**	**64,636**	**3,862**	**18,157**	**220,372**

33. Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders through optimisation of capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from prior years.

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

The Group monitors its capital structure using debt to equity ratio; whereas debt comprises bank borrowings and amounts due to non-controlling interests whilst equity means the total equity of the Group. During the year, the Group's strategy to maintain a healthy debt to equity ratio has remained unchanged, and the debt to equity ratio were 0.098 and 0.100 as at 31 March 2012 and 31 March 2011 respectively.

34. Banking Facilities

At 31 March 2012, 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.

35. Share Option Scheme

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

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

35. Share Option Scheme (Continued)

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

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

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

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

From the effective date of the Scheme to 31 March 2012, no share options have been granted, exercised, cancelled or lapsed under the Scheme.

36. 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:

	2012 HK$'000	2011 HK$'000
Within one year	**1,733**	1,733
In the second to fifth years, inclusive	**1,589**	3,323
	3,322	5,056

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

36. Commitments (Continued)

(b) Other commitments

(i) In connection with the acquisition of the interest in Fosse Bio as disclosed in the consolidated financial statements, at 31 March 2012, the Group had a commitment to advance an interest-free loan to Fosse Bio Vendor and/or other shareholders of Fosse Bio to cover expenses relating to clinical trials of the Product.

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

As Fordnew owns 29% interest in the issued share capital of Fosse Bio and is a substantial shareholder of the latter, 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.

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

On 22 July 2011, Fordnew made a drawdown notice amounting to HK$4,807,000, and as such the remaining unutilised balance available for Fordnew is HK$25,193,000 as at the date of approval of these financial statements.

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

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

(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

36. Commitments (Continued)

(b) Other commitments (Continued)

(ii) (Continued)

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

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

On 19 October 2006, Sea Ascent and Welly Surplus also entered into a sale and purchase agreement (the "SP Agreement") pursuant to which Sea Ascent agreed to sell and Welly Surplus agreed to acquire (i) the entire share capital (the "Sale Share") in Joy Kingdom and (ii) the Shareholder's Loan at considerations of RMB40 million and HK$1 respectively (the "Consideration"). The completion of the SP Agreement was subject to, among other conditions, approval of the SP Agreement by the Company's shareholders, the Cooperation Agreement becoming effective and the completion of the construction of the Plant by Jiangsu Prevalence in accordance with the terms of the Cooperation Agreement. The SP Agreement was approved in the special general meeting of the Company held on 3 January 2007. On 8 April 2009, Welly Surplus and Sea Ascent signed a confirmation whereby both parties agreed to extend the long stop date of the SP Agreement from 30 November 2007 to 30 June 2010. In light of the progress of the further clinical trial, Welly Surplus and Sea Ascent have not yet concluded the revised completion timetable in relation to the construction of the Plant by 30 June 2010, and therefore the extension of the long stop date of SP Agreement is yet to conclude. 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 with value in total of RMB12,080,000 for provision of clinical trial management services and the related clinical studies.

As at 31 March 2012, RMB9,475,000 (2011: RMB5,500,000) was paid to the Project Administrator and the aggregate authorised contract value not provided for in these consolidated financial statements amounted to RMB2,605,000 as at 31 March 2012.

36. Commitments (Continued)

(c) Commitment on resumption of land

As disclosed in note 23(c) to the consolidated financial statements, the Group has the following non-cancellable lease income with respect to the resumption of the land by 長春經濟技術開發區土地收購儲備中心:

	2012 HK$'000	2011 HK$'000
Within one year	18,519	—
In the second to fifth years, inclusive	21,125	—
	39,644	—

37. 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) As at 31 March 2012, the balance of advances made by EBVI, a wholly owned subsidiary of the Company to Smart Ascent amounted to approximately HK$14,381,000 (2011: approximately HK$16,529,000). These advances were unsecured, non-interest-bearing and repayable on demand.

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

On 22 July 2011, Fordnew made a drawdown notice for the sum of approximately HK$4,807,000 to Smart Ascent so that it could on-lend the sum to Fosse Bio for making progress payment to the project administrator in connection with the service contract for the clinical trial. The aforesaid amount of the loan to Fordnew was contributed by the Company's wholly owned subsidiary EBVI and Mr. Ong based on their respective equity interests of 51% and 49% in Smart Ascent.

38. Financial Instruments by Category

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

The Group:

	2012 HK$'000	2011 HK$'000
Financial assets — Loan and receivables		
Trade receivables	**73,593**	72,575
Deposits and other receivables	**62,616**	57,224
Amounts due from non-controlling interests	**6,140**	12,973
Loan to a non-controlling interest	**4,807**	—
Pledged bank deposits	**19,600**	20,743
Cash and cash equivalents	**140,071**	124,573
	306,827	288,088

The Group:

	2012 HK$'000	2011 HK$'000
Financial liabilities — Other financial liabilities		
Trade and bills payables	**10,527**	7,152
Accruals and other payables	**22,884**	35,949
Deferred income	**18,519**	—
Loan from a non-controlling interest	**4,807**	—
Amounts due to non-controlling interests	**54,584**	58,629
	111,321	101,730

38. Financial Instruments by Category (Continued)

The Company:

	2012 HK$'000	2011 HK$'000
Financial assets — Loan and receivables		
Dividend receivables	**31,014**	61,049
Cash and cash equivalents	**56,548**	56,136
	87,562	117,185
Financial liabilities — Other financial liabilities		
Accruals and other payables	**493**	429

39. Fair Value Estimation

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

40. Approval Of Consolidated Financial Statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 June 2012.

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			
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**157,406**	198,816	196,291	184,434	165,079
Profit before taxation	**16,863**	5,103	12,788	7,989	2,393
Taxation	**(926)**	(1,055)	2,784	9,418	(15,728)
Profit/(loss) for the year	**15,937**	4,048	15,572	17,407	(13,335)
Attributable to:					
— Equity holders of the Company	**20,414**	11,567	14,624	15,551	(11,735)
— Non-controlling interests	**(4,477)**	(7,519)	948	1,856	(1,600)
	15,937	4,048	15,572	17,407	(13,335)
Dividends	**—**	—	—	—	—

		AS AT 31 MARCH			
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**687,804**	664,092	654,213	646,050	619,573
Total liabilities	**(112,727)**	(103,819)	(104,127)	(109,046)	(106,696)
Total equity	**575,077**	560,273	550,086	537,004	512,877
Non-controlling interests	**(201,641)**	(206,118)	(213,290)	(214,832)	(215,957)
	373,436	354,155	336,796	322,172	296,920