EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED
精優藥業控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00858)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2015

The board of directors (the "**Board**") of Extrawell Pharmaceutical Holdings Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2015 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	**2015** ***HK$'000***	2014 *HK$'000* (restated)
Continuing operations			
Revenue		**128,833**	150,673
Cost of sales		**(77,776)**	(76,706)
Gross profit		**51,057**	73,967
Other income	*4*	**40,542**	2,331
Other gains and losses, net	*5*	**(71,138)**	40,267
Selling and distribution expenses		**(36,207)**	(42,541)
Administrative expenses		**(29,315)**	(33,846)
Research and development expenses		**(1,613)**	(405)
Share of results of an associate		**(1,534)**	—
Effective interest expense on convertible bonds	*13*	**(3,938)**	(2,424)
(Loss) profit before taxation	*6*	**(52,146)**	37,349
Taxation	*7*	**(92)**	(20,574)
(Loss) profit for the year from continuing operations		**(52,238)**	16,775

	Notes	2015 HK$'000	2014 HK$'000 (restated)
Discontinued operation			
Profit (loss) for the year from discontinued operation	*8*	**607,543**	(3,303)
Profit for the year		**555,305**	13,472
Other comprehensive income (expenses)			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**4,521**	(649)
Total comprehensive income for the year		**559,826**	12,823
(Loss) profit for the year attributable to owners of the Company:			
— from continuing operations		**(44,188)**	14,123
— from discontinued operation		**609,645**	(307)
		565,457	13,816
(Loss) profit for the year attributable to non-controlling interests			
— from continuing operations		**(8,050)**	2,652
— from discontinued operation		**(2,102)**	(2,996)
		(10,152)	(344)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**568,594**	12,294
Non-controlling interests		**(8,768)**	529
		559,826	12,823

	Notes	**2015** *HK cents*	2014 *HK cents* (restated)
Earnings (loss) per share	*9*		
From continuing and discontinued operations			
— Basic		**23.66**	0.59
— Diluted		**23.66**	0.54
From continuing operations			
— Basic		**(1.85)**	0.60
— Diluted		**(1.85)**	0.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2015

	Notes	2015	2014
		HK$'000	*HK$'000*
			(restated)
NON-CURRENT ASSETS			
Investment properties		**1,615**	1,674
Property, plant and equipment		**175,930**	172,978
Prepaid lease payments		**10,879**	10,873
Intangible assets		**1,807**	286,067
Investments in convertible bonds		**349,220**	—
Available-for-sale investments		**—**	—
Interest in an associate		**335,466**	—
Amount due from an associate		**10,108**	—
Amounts due from non-controlling interests		**—**	5,267
Amounts due from former non-controlling interests		**—**	1,691
Loan to a non-controlling interest		**—**	7,790
		885,025	486,340
CURRENT ASSETS			
Inventories		**17,050**	9,225
Trade receivables	*11*	**57,568**	69,554
Deposits, prepayments and other receivables		**6,802**	31,712
Pledged bank deposits		**19,971**	19,819
Bank balances and cash		**152,227**	103,696
		253,618	234,006
CURRENT LIABILITIES			
Trade and bill payables	*12*	**12,676**	13,036
Accruals and other payables		**66,134**	67,990
Amount due to an associate		**19,780**	—
Amount due to a non-controlling interest		**—**	20,674
Tax payable		**18,590**	20,935
		117,180	122,635
NET CURRENT ASSETS		**136,438**	111,371
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,021,463**	597,711

	Notes	2015 *HK$'000*	2014 *HK$'000* (restated)
NON-CURRENT LIABILITIES			
Amounts due to non-controlling interests		**—**	7,736
Amounts due to former non-controlling interests		**—**	2,514
Loan from a non-controlling interest		**—**	7,520
Deferred tax liabilities		**102**	102
Convertible bonds	*13*	**24,982**	21,044
		25,084	38,916
NET ASSETS		**996,379**	558,795
CAPITAL AND RESERVES			
Share Capital		**23,900**	23,900
Reserves		**967,990**	399,396
Equity attributable to owners of the Company		**991,890**	423,296
Non-controlling interests		**4,489**	135,499
TOTAL EQUITY		**996,379**	558,795

Notes

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Suites 2206–08, 22/F, Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

The Company is an investment holding company. The principal activities of the Company's subsidiaries and an associate are set out in annual report.

The functional currency of the Company is Hong Kong dollar ("HK$"), which is the same as the presentation currency of the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs and a new interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) - INT 21	Levies

The application of these amendments to HKFRSs and the new interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[4]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[4]
Amendments to HKAS 1	Disclosure initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[4]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[3]
Amendments to HKAS 27	Equity method in separate financial statements[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle[4]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on the amounts reported in respect of the Group's financial assets. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

Revenue for the year represents the fair value of amounts received and receivable for goods sold to outside customers, less discounts and sales-related taxes for the year, and is analysed as follows:

	2015	2014
	HK$'000	*HK$'000*
Manufacturing of pharmaceutical products	**37,288**	53,752
Trading of pharmaceutical products	**91,545**	96,921
	128,833	150,673

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 operating 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. Summarised details of the reportable and operating 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; and

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

An operating segment regarding oral insulin development and commercialisation was discontinued in the current year upon the disposal of Smart Ascent Limited ("Smart Ascent") and its subsidiaries ("Smart Ascent Group"). The segment information reported below does not include any amounts for the discontinued operation, which are described in more details in note 8.

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

Continuing operations

	Manufacturing		Trading		Gene development		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
								(restated)
Revenue								
Sales to external customers	**37,288**	53,752	**91,545**	96,921	**—**	—	**128,833**	150,673
Segment results	**(33,182)**	33,481	**12,682**	14,446	**(81)**	(67)	**(20,581)**	47,860
Unallocated other income							**40,542**	1,485
Unallocated other gains and losses, net							**(58,218)**	—
Corporate expenses							**(8,417)**	(9,572)
Effective interest expense on convertible bonds							**(3,938)**	(2,424)
Share of results of an associate							**(1,534)**	—
(Loss) profit before taxation							**(52,146)**	37,349
Taxation							**(92)**	(20,574)
(Loss) profit for the year							**(52,238)**	16,775

Segment (loss) profit represents the profit earned by (loss from) each segment without allocation of interest income, effective interest income from investments in convertible bonds, other gains and losses, net, corporate expenses, share of results of an associate and effective interest expense on convertible bonds. This is the measure reported to the chief operating decision makers, being the executive and non-executive directors of the Company, for the purposes of resource allocation and performance assessment.

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment.

	Manufacturing		Trading		Gene development		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
								(restated)
Segment assets								
Continuing operations								
Segment assets	**237,204**	253,835	**105,192**	106,249	**6**	6	**342,402**	360,090
Investments in convertible bonds							**349,220**	—
Interest in an associate							**335,466**	—
Corporate and other assets							**111,555**	48,358
Assets in relation to discontinued operation							**—**	311,898
Total assets							**1,138,643**	720,346
Segment liabilities								
Continuing operations								
Segment liabilities	**75,620**	75,276	**15,134**	16,623	**64**	50	**90,818**	91,949
Convertible bonds							**24,982**	21,044
Corporate and other liabilities							**26,464**	1,360
Liabilities in relation to discontinued operation							**—**	47,198
Total liabilities							**142,264**	161,551

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than investments in convertible bonds, interest in an associate and corporate and other assets ; and

- all liabilities are allocated to operating segments other than convertible bonds and corporate and other liabilities.

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Other segment information

Continuing operations

	Manufacturing		Trading		Gene development		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment profit or loss:								
Depreciation and amortisation	**5,822**	3,316	**104**	109	**—**	—	**5,926**	3,425
Allowance for bad and doubtful debts, net	**12,920**	6,862	**—**	(177)	**—**	—	**12,920**	6,685
Impairment on loan and interest receivables	**—**	10,747	**—**	—	**—**	—	**—**	10,747
Gain on disposal of property, plant and equipment	**—**	(57,691)	**—**	(8)	**—**	—	**—**	(57,699)

Geographical information

The Group's operations are located in the PRC and Malaysia.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the customers and distributors. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**—**	—	**718**	817
The PRC (excluding Hong Kong and Macau)	**85,352**	112,772	**187,706**	184,708
Macau	**43,481**	37,901	**—**	—
	128,833	150,673	**188,424**	185,525

Note: Non-current assets excluded financial instruments, intangible assets and interest in an associate.

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue are as follows:

	2015	2014
	HK$'000	*HK$'000*
Customer A	**48,064**	59,020
Customer B	**43,481**	37,901

Note: Revenue from customers A and B are generated from trading of pharmaceutical products.

4. OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Interest income	**1,012**	1,485
Interest income on loan receivable	**—**	622
Rental income	**222**	224
Sundry income	**416**	—
Effective interest income from investments in convertible bonds	**37,245**	—
Imputed interest income from amount due from an associate	**1,647**	—
	40,542	2,331

5. OTHER GAINS AND LOSSES, NET

	2015	2014
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Gain on disposal of property, plant and equipment	—	57,699
Change in fair value of derivatives component of investments in convertible bonds	**(58,218)**	—
Allowance for bad and doubtful debts, net	**(12,920)**	(6,685)
Impairment on loan and interest receivables *(Note)*	—	(10,747)
	(71,138)	40,267

Note: On 16 May 2012, a subsidiary of the Company, Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd. ("JECP") entered into a loan agreement with Shanghai Longmark (the "Loan Agreement"), and pursuant to which JECP agreed to grant an unsecured, interest-bearing loan at 6.65% per annum in the aggregate principal amount of RMB7,500,000 to Shanghai Longmark for financing its working capital requirements. The principal shall be repaid in the months of May, July and August 2014 as to the sum of RMB5,000,000, RMB1,000,000 and RMB1,500,000 respectively. Full provision was made for the outstanding loan and interest receivable during the year ended 31 March 2014.

6. (LOSS) PROFIT BEFORE TAXATION

The Group's (loss) profit before taxation from continuing operations has been arrived at after charging (crediting):

	2015	2014
	HK$'000	*HK$'000*
Amortisation of prepaid lease payments	**249**	615
Depreciation of investment properties	**59**	59
Amortisation of intangible assets	—	136
Depreciation of property, plant and equipment	**5,970**	2,745
Auditors' remuneration	**768**	695
Cost of inventories recognised as expenses	**77,776**	76,706
Including: Provision for (reversal of) allowance for inventories *(Note)*	**1,149**	(439)
Operating lease charges in respect of land and buildings	**1,859**	2,493
Staff cost (including directors' emoluments)		
Salaries, bonus and allowances	**21,189**	26,590
Retirement benefits scheme contributions	**2,941**	3,740

Note: Allowance for inventories is reversed when the relevant inventory is utilised/sold.

7. TAXATION

	2015	2014
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Current tax:		
Hong Kong	**69**	110
PRC Enterprise Income Tax	**—**	15,630
Other jurisdictions	**50**	49
	119	15,789
(Over) underprovision in prior years		
Hong Kong	**(20)**	1
Other jurisdictions	**(7)**	(1)
	(27)	—
PRC land appreciation tax ("LAT")	**—**	4,785
Income tax charge	**92**	20,574

Hong Kong Profits Tax has been provided at the rate of 16.5% of the estimated assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

8. DISCONTINUED OPERATION

On 17 March 2014, Extrawell (BVI) Limited ("Extrawell (BVI)"), a wholly-owned subsidiary of the Company and Clear Rich International Limited ("Clear Rich"), a wholly-owned subsidiary of United Gene High-Tech Group Limited ("United Gene"), a limited liability company incorporated in the Cayman Islands and continued in Bermuda and its shares are listed on the Main Board of the Stock Exchange, which held 19.41% (2014: 18.83%) equity interest in the Company as at 31 March 2015, entered into a sale and purchase agreement pursuant to which Extrawell (BVI) would dispose of 51% equity interest of Smart Ascent to Clear Rich for a total consideration of HK$780,000,000, which will be satisfied by the issuance of convertible bonds by United Gene in the principal amount of HK$715,000,000 and cash consideration of HK$65,000,000. Smart Ascent Group was engaged in the research and development of oral insulin product. The disposal was completed on 28 July 2014 (the "Disposal"). The Group lost control in the Smart Ascent Group upon the completion of the Disposal and Smart Ascent became an associate of the Group. The Group's oral insulin development and commercialisation operation is classified as discontinued operation.

The results from the discontinued operation for the years ended 31 March 2015 and 2014 are analysed as follows. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to present the oral insulin development and commercialisation operation as a discontinued operation.

	2015	2014
	HK$'000	*HK$'000*
Other income	**—**	2,000
Administrative expenses	**(719)**	(1,624)
Research and development expenses	**(3,605)**	(3,679)
Loss before taxation	**(4,324)**	(3,303)
Taxation	**—**	—
Loss for the year from discontinued operation	**(4,324)**	(3,303)
Gain on disposal of subsidiaries *(note 14)*	**611,867**	—
	607,543	(3,303)
(Loss) profit for the year attributable to:		
Owners of the Company	**609,645**	(307)
Non-controlling interests	**(2,102)**	(2,996)
	607,543	(3,303)

During the year ended 31 March 2015, the oral insulin operations paid HK$4,324,000 (2014: HK$3,303,000) in respect of the Group's net operating cash flows. There are no cash flows from investing and financing activities.

9. EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	2015	2014
	HK$'000	*HK$'000*
		(restated)
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**565,457**	13,816
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**—**	2,424
Earnings for the purpose of diluted earnings per share	**565,457**	16,240

Number of shares

	2015	2014
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,390,000,000**	2,355,479,452
Effect of dilutive potential ordinary shares:		
Convertible bonds	**—**	652,321,000
	2,390,000,000	3,007,800,452

The computation of diluted earnings per share from continuing and discontinued operations for the current year does not assume the conversion of the Company's outstanding convertible bonds as their assumed conversion would decrease the loss per share from continuing operations for the current year.

9. EARNINGS PER SHARE (CONTINUED)

From continuing operations

The calculation of the basic and diluted (loss) earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	2015	2014
	HK$'000	*HK$'000*
		(restated)
(Loss) earnings figures are calculated as follows:		
Profit for the year attributable to the owners of the Company from continuing and discontinued operations	**565,457**	13,816
Less: (Profit) loss for the year from discontinued operation attributable to owners of the Company *(note 8)*	**(609,645)**	307
(Loss) earnings for the purpose of basic earnings per share from continuing operations	**(44,188)**	14,123
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**—**	2,424
	(44,188)	16,547

The denominators used are the same as those detailed above for basic and diluted earnings per share from continuing and discontinued operations.

From discontinued operation

Basic and diluted earnings per share for the discontinued operation is HK25.51 cents per share (2014: basic and diluted loss of HK0.01 cent per share), based on the earnings for the year from discontinued operation of HK$609,645,000 (2014: loss of HK$307,000) and the denominators detailed above for both basic and diluted earnings (loss) per share from continuing and discontinued operations.

10. DIVIDENDS

The directors do not recommend the payment of dividend for the year ended 31 March 2015 (2014: nil).

11. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly based on credit, except for new customers, where payment in advance is normally required. The credit period is generally ranging from 120 to 180 days, extending up to one year for some major customers.

The following is an aged analysis of trade receivables, net of allowance for bad and doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised.

	2015	2014
	HK$'000	*HK$'000*
0 – 90 days	**21,183**	31,238
91 – 180 days	**19,332**	30,219
181 – 365 days	**17,023**	8,097
Over 365 days	**30**	—
	57,568	69,554

12. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period.

	2015	2014
	HK$'000	*HK$'000*
0 – 90 days	**9,680**	10,326
91 – 180 days	**2,459**	2,640
181 – 365 days	**495**	8
1 – 2 years	**42**	15
Over 2 years	**—**	47
	12,676	13,036

13. CONVERTIBLE BONDS

On 16 July 2013, the Company issued zero-coupon convertible bonds (the "Convertible Bonds") with principal amount in aggregate of HK$641,300,000 at the conversion price of HK$0.6413 for each new share of the Company, which, if fully converted, is equivalent to 1,000,000,000 new shares of the Company to Mr. Ong Cheng Heang ("Mr. Ong") and Mr. Mao Yumin ("Mr. Mao"), each of principal amount of HK$320,650,000. Mr. Ong was the non-controlling shareholder and director of Smart Ascent prior to the completion of acquisition of the remaining 49% interest in Smart Ascent by the Group ("Acquisition") and Mr. Mao was a director of the Company until 5 December 2013, and is a shareholder of the Company during the current year and prior year.

The Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company at a conversion price of HK$0.6413 per ordinary share on or before the seventh business day prior to the maturity date of 16 July 2033, subject to anti-dilutive clauses.

13. CONVERTIBLE BONDS (CONTINUED)

The Convertible Bonds are issued in HK$. The fair value of the liability component of the Convertible Bonds issued by the Company on 16 July 2013 was HK$20,712,000, which has been determined by the discounted cashflow approach using the prevailing market interest rate of similar non-convertible bonds and taking into account the credit risk of the Company. The effective interest rate is 18.72%. The fair value of the conversion option of HK$569,288,000 classified as equity component for the Convertible Bonds was calculated using the Binomial Model. The inputs into the model were as follows:

	Date of issuance 16.7.2013
Stock price (HK$)	0.59
Exercise price (HK$)	0.6413
Discount rate	18.72%
Risk free rate *(Note a)*	2.63%
Expected volatility *(Note b)*	66.55%
Expected dividend yield *(Note c)*	0%
Option life	20 years

Notes:

(a) The rate was determined with reference to the yields of Hong Kong government bonds and treasury bills as at the date of valuation.

(b) Based on the historical price volatility of the Company for the period from 24 December 2009 up to the date of issuance of Convertible Bonds.

(c) Estimated with reference to the historical dividend payout of the Company.

On 5 August 2013, Convertible Bonds with principal amount of HK$64,130,000 was converted into 100,000,000 ordinary shares of the Company at the conversion price of HK$0.6413 per ordinary share.

Movements of the liability component of the Convertible Bonds are set out below:

	Principal amount *HK$'000*	**Carrying amount** *HK$'000* (restated)
At 1 April 2013	—	—
Issue of the Convertible Bonds	641,300	20,712
Conversion to ordinary shares	(64,130)	(2,092)
Interest charge	—	2,424
At 31 March 2014	577,170	21,044
Interest charge	—	3,938
At 31 March 2015	577,170	24,982

13. CONVERTIBLE BONDS (CONTINUED)

On 25 October 2013, 24 April 2014, 30 August 2014 and 31 December 2014, Convertible Bonds with principal amount of HK$320,650,000, HK$64,130,000, HK$64,130,000 and HK$64,130,000 were acquired by United Gene from Mr. Mao respectively.

14. DISPOSAL OF SUBSIDIARIES

As referred to in note 8, the Group discontinued its oral insulin research and development activities at the time of disposal of 51% equity interest in the Smart Ascent Group. The net assets of the Smart Ascent Group at the date of disposal were as follows:

	HK$'000
Consideration received:	
Cash received	65,000
Convertible bonds received at fair value	370,193
Total consideration received	435,193

	28.7.2014
	HK$'000
Analysis of assets and liabilities over which control was lost:	
Intangible assets	284,260
Amounts due from non-controlling interests	5,268
Amounts due from former non-controlling interests	1,691
Amount due from Extrawell (BVI)	19,780
Loan to a non-controlling interest	10,579
Deposits, prepayments and other receivables	13,624
Bank balances and cash	353
Accruals and other payables	(3,300)
Amounts due to non-controlling interests	(28,139)
Amount due to Extrawell (BVI)	(8,455)
Amounts due to former non-controlling interests	(2,514)
Loan from a non-controlling interests	(10,579)
Non-controlling interests	(122,242)
Net assets disposed of	160,326

14. DISPOSAL OF SUBSIDIARIES (CONTINUED)

	HK$'000
Gain on disposal of the Smart Ascent Group:	
Total consideration received	435,193
Net assets disposed of, after deducting non-controlling interests	(160,326)
Fair value of 49% retained equity interest in the Smart Ascent Group *(Note)*	337,000
Gain on disposal	611,867

Note: The fair value of the 49% equity interest in Smart Ascent retained by the Group has been measured as of the date of disposal at HK$337,000,000 by an independent professional valuer not connected with the Group. The fair value is determined using the income approach after taking into account the discount rate and lack of control discount of 27.99% and 37% respectively.

	HK$'000
Net cash inflow arising on disposal:	
Cash consideration	65,000
Less: bank balances and cash disposed of	(353)
	64,647

The Smart Ascent Group's results and cash flows in the current and prior periods are disclosed in note 8.

15. PRIOR PERIOD ADJUSTMENTS

During the year ended 31 March 2015, the directors of the Company have retrospectively restated certain balances in the Group's consolidated financial statements:

(a) Adjustment on liability and equity components of Convertible Bonds issued by the Company on 16 July 2013

On 16 July 2013, the consideration of HK$660,000,000 for acquisition of 49% equity interest of Smart Ascent was settled by cash of HK$18,700,000 and issuance of Convertible Bonds with principal amount of HK$641,300,000. The Group has previously recognised the Convertible Bonds containing liability and equity components with value of HK$126,938,000 and HK$514,362,000 respectively at the date of acquisition, which amounted to the principal amount of HK$641,300,000 in aggregate. In evaluating the overall financial impact of the Disposal during the year ended 31 March 2015, the directors of the Company reassessed the fair values of the liability and equity components of the Convertible Bonds issued for the acquisition of additional equity interest in Smart Ascent on 16 July 2013 and considered that the liability and equity components of the Convertible Bonds should have been recorded at HK$20,712,000 using an appropriate discount rate of 18.72% as disclosed in note 13 (instead of 8.43% used previously) and HK$569,288,000 which is measured at fair value at initial recognition respectively, and hence other reserve, recognised on the date of acquisition and the effective interest expense recognised during the year ended 31 March 2014. In addition, on 5 August 2013, Convertible Bonds with principal amount of HK$64,130,000 was converted into 100,000,000 ordinary shares of the Company, adjustments were also made to the share premium and convertible bonds equity reserve upon conversion.

(b) Reclassification of certain financial items

Certain selling and distribution expense, gain on disposal of property, plant and equipment and allowance for bad and doubtful debts, net presented in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2014 has been reclassified to conform with the current year presentation.

15. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

(c) Adjustments on PRC Enterprise Income Tax and PRC LAT

During the year ended 31 March 2014, the tax provision on PRC Enterprise Income Tax and PRC LAT was understated by HK$3,730,000 and HK$2,307,000 respectively. Accordingly, the tax provision has been restated.

The effects of the prior period adjustments as at 31 March 2014 are summarised as follows:

Impact on net assets and equity as at 31 March 2014

	As at 31.3.2014		**Adjustments**		**As at 31.3.2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(originally stated)	(a)	(b)	(c)	(restated)
Total effects on net assets					
Tax payable	(14,898)	—	—	(6,037)	(20,935)
Convertible bonds	(121,078)	100,034	—	—	(21,044)
	(135,976)	100,034	—	(6,037)	(41,979)
Total effects on equity					
Share premium	196,906	(5,168)	—	—	191,738
Other reserve	(598,347)	52,619	—	—	(545,728)
Convertible bonds equity reserve	462,926	49,433	—	—	512,359
Accumulated profits	195,873	3,150	—	(5,034)	193,989
Non-controlling interests	136,502	—	—	(1,003)	135,499
	393,860	100,034	—	(6,037)	487,857

Impact on profit for the year from continuing operations for the year ended 31 March 2014

	Year ended 31.3.2014		**Adjustments**		**Year ended 31.3.2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(originally stated)	(a)	(b)	(c)	(restated)
Cost of sales	(110,512)	—	33,806	—	(76,706)
Other income	60,030	—	(57,699)	—	2,331
Other gains and losses, net	(10,747)	—	51,014	—	40,267
Selling and distribution expenses	(15,420)	—	(27,121)	—	(42,541)
Administrative expenses	(32,527)	(1,319)	—	—	(33,846)
Effective interest expense on convertible bonds	(6,893)	4,469	—	—	(2,424)
Income tax expense	(14,537)	—	—	(6,037)	(20,574)
Total impact on profit for the year from continuing operations	(130,606)	3,150	—	(6,037)	(133,493)
Profit (loss) for the year from continuing operations attributable to:					
Owners of the Company	16,007	3,150	—	(5,034)	14,123
Non-controlling interests	659	—	—	(1,003)	(344)
	16,666	3,150	—	(6,037)	13,779

15. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

Impact on earnings per share for the year ended 31 March 2014

	Year ended 31.3.2014		**Adjustments**		**Year ended 31.3.2014**
	HK cent	*HK cent*	*HK cent*	*HK cent*	*HK cent*
	(originally stated)	(a)	(b)	(c)	(restated)
Earnings per share					
From continuing and discontinued operations					
— Basic	0.67	0.13	—	(0.21)	0.59
— Diluted	0.60	0.10	—	(0.16)	0.54
From continuing operations					
— Basic	0.68	0.13	—	(0.21)	0.60
— Diluted	0.61	0.10	—	(0.16)	0.55

EXTRACTED FROM INDEPENDENT AUDITOR'S REPORT

The auditor expressed an unqualified opinion in the auditor's report, but including an emphasis of matter paragraph and an other matter paragraph. Details of which are extracted and reproduced as follows:

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

As explained in note 23 to the consolidated financial statements, the carrying amount of interest in an associate, representing interest in Smart Ascent Limited and its subsidiaries (the "**Smart Ascent Group**"), is HK$335,466,000 as at 31 March 2015. The major asset held by the Smart Ascent Group is the intangible asset in relation to an in-process research and development project (the "**In-process R&D**") involving an oral insulin product (the "**Product**"). As at 31 March 2014, the carrying amount of the In-process R&D was HK$284,260,000 and classified as intangible asset of the Group when Smart Ascent Limited was the subsidiary of the Company. Upon the completion of the disposal of 51% equity interest of Smart Ascent Limited on 28 July 2014, the Group's interest in Smart Ascent Limited has reduced from 100% to 49% and accordingly Smart Ascent Limited has become an associate of the Company. The carrying amount of interest in an associate (2014: the In-process R&D) is highly dependent upon further research and development work required to be carried out, 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 be required and consequently have an adverse effect on the net assets and the results of the Group.

Other Matter

The consolidated financial statements of the Company for the year ended 31 March 2014 were audited by another auditor who expressed an unqualified opinion on those statements on 30 June 2014 with an emphasis of matter paragraph in relation to the uncertainty of the successful launching of the Product which may materially affect the carrying amount of the In-process R&D."

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on

Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overall Performance

In 2014, the global economy experienced a weak recovery and was still struggling to gain growth momentum since the 2008-09 financial crisis. Although China faced large downward pressures of economic growth, it still maintained, albeit slower, growth from 7.7% in 2013 to 7.4% in 2014. With aim to improving the quality of growth and to ensure an appropriate pace of expansion, the central government had adjusted its economic policies to forge ahead with major reforms, which would inevitably assure its continued commitment to drive the future growth of pharmaceutical industry. Along with the Twelfth Five-Year Plan (2011-2015) for the nation's healthcare reforms, there was a new round of deepening policies including, *inter alia*, freeing up drug pricing, allowing online sales of prescription drugs and enhancing centralized drug procurement, which has caused to a very rapid and substantial increase in the number of competitors. Although the policies have intensified the competition across the entire pharmaceutical industry, the Group has taken proactive measures to enhance its core competitiveness and is well-positioned to tap the advantages of expanded market demands.

Continuing operations

In the year under review, the Group experienced tough challenges and made significant progress in the expansion of its manufacturing capability in China, which is a critical element in its long-term competitive strategy. Our team in Changchun had completed an arduous task to obtain GMP certificates issued by China Food and Drug Administration for its major product lines. However, the suspension of production resulting from GMP works and adjustment of vendor's shipping schedule affected the performance of manufacturing and trading segments respectively. The Group's turnover and gross profit were about HK$128.8 million (2014: HK$150.7 million) and HK$51.1 million (2014: HK$74.0 million (restated)) respectively, representing a decrease of about 14.5% and 30.9% as compared with that of last financial year. The decrease in turnover brought along with a sharp drop of gross profit. In face of these challenges, management exercised stringent financial discipline to control its operating expenses and was able to maintain the total administrative, selling and distribution expenses as percentage to the turnover at similar level when compared to last financial year.

Loss from the operations was about HK$52.2 million. However, when excluding loss of fair value changes on investment in convertible bonds of about HK$58.2 million and its effective interest income about HK$37.2 million, the loss was about HK$31.2 million as compared to the profit of HK$16.8 million (restated), which includes gain on disposal of property, plant and equipment of HK$57.7 million and impairment on loan and interest receivables of HK$10.7 million.

Discontinued operation

In July 2014, the Group completed its disposal of 51% equity interest of its wholly owned subsidiary Smart Ascent Limited ("Smart Ascent"), the holding company of the Group's oral insulin operation. As the Group lost control in Smart Ascent, the operation was classified as discontinued operation. Total profit for the year from the discontinued operation amounted to HK$607.5 million (2014: Loss HK$3.3 million), which is attributable to the gain on disposal of the Group's 51% interest in Smart Ascent, including gain on the fair value of the Group's retained 49% interest in Smart Ascent of HK$337 million.

The Group's profit for the year attributable to the owners of the Company was about HK$565.5 million, representing a significant increase of about HK$551.7 million when compared to profit of about HK$13.8 million (restated). Such increase was primarily attributable to, among other things, gain on disposal of the Group's 51% equity interest in Smart Ascent, effective interest income and fair value changes in the Group's investment in convertible bonds as mentioned above.

Turnover and Operating Results

Imported Pharmaceutical Sector

Despite challenging market competition, the demand for the Group's products were generally in line with 2014, which were mainly attributable to the Group's liaisons networks to maintain high quality relationships and collaborations with medical professionals and institutions. However, the change in vendor's shipment schedule had postponed our delivery to customer until after the year ended. This led to decrease in sales by 5.6% from about HK$96.9 million last year to about HK$91.5 million this year, and the resultant loss of sales contribution also lowered the segment profit by about HK$1.8 million to about HK$12.7 million.

Manufactured Pharmaceutical Sector

The new factory in Changchun had completed the GMP works for its major product lines in the second half of year 2014, and since then, normal production has been gradually resumed. However, the production-suspended period during the GMP works impacted the volume of production and unit sales. There was a sharp decrease in sales by about HK$16.5 million or 30.6% to HK$37.3 million when compared to about HK$53.8 million in 2014. The loss in sales contribution as well as the increase in amortization and depreciation of new production facilities had lowered the gross margin by more than 50%, which exacerbated the segment loss.

In response to the decline in sales and profit, management had exercised various measures to mitigate the impact of lower volume of sales and rising costs of the new factory. Stringent cost controls were implemented, which resulted in significant reduction of overheads and sales-related expenses by about HK$6 million. Such cost reduction benefit was, however, balanced off by the increase in allowance for bad and doubtful debts of about HK$6 million resulting from adjustment of marketing strategy to boost sales and shorten customers' collection period. The change unexpectedly led to slower settlement and an increase in past-due accounts, which triggered an increase in allowance in relation thereof.

Management has adjusted its strategy and executed vigorous measures to rectify the situation. Since the impact of decrease in gross contribution was significant, the segment recorded a significant loss of about HK$33.2 million, representing an increase of about HK$19.7 million when compared to the adjusted segment loss of HK$13.5 million in 2014 after excluding gain on the disposals of the Group's two plants in Changchun of about HK$57.7 million and impairment of investment in a healthcare management company of about HK$10.7 million

The new GMP plant with advanced production facilities has underpinned the future growth and long term development of the Group, and management has taken initiatives to improve production efficiency as well as product quality with aim to enhancing its core competitiveness in the market place.

Gene Development Sector

The Group has been persistently looking at the ongoing development of the gene industry in the PRC market and other parts of the world, and seeking development opportunities as and when these arise. During the year, gene development remained inactive and no revenue was recorded.

Other income and gains and losses, net

Other income and gains and losses, net were in total a loss of about HK$30.6 million, which was primarily attributable to allowance for bad and doubtful debts of about HK$12.9 million, effective interest income of HK$37.2 million and loss on change in fair value of derivative component of HK$58.2 million from investments in convertible bonds, whilst in 2014, the total of about HK$42.6 million was related to allowance for bad and doubtful debts of about HK$6.7 million and gain on disposal of property, plant and equipment of HK$57.7 million.

Selling and Distribution Expenses

Selling and distribution expenses of the Group decreased from about HK$42.5 million (restated) in 2014 to about HK$36.2 million in 2015, representing a decrease of about HK$6.3 million or 14.9%. The decrease was primarily due to decrease in sales of products from imported and manufacturing segments, in which promotion expenses decreased by HK$3.1 million, and staff costs and related marketing expenses decreased by about HK$3.2 million respectively.

Administrative Expenses

Administrative expenses of the Group decreased from about HK$33.8 million in 2014 to about HK$29.3 million in 2015, representing a decrease of about HK$4.5 million or 13.3%. The decrease was mainly due to reduction of staff costs of about HK$2.7 million in Changchun new plant at the time of GMP certification works and less professional fees incurred in 2015 by about HK$1.8 million whereas the Group disposed of its 51% equity interest in Smart Ascent in 2014.

Research and Development Expenses

Increase in research and development expenses from about HK$0.4 million in 2014 to about HK$1.6 million in 2015 was mainly attributable to more expense recognized in relation to the development of new manufactured products.

Outlook

This year marks the conclusion of China's Twelfth Five-Year Plan (2011-2015) on healthcare reform. The comprehensively deepening reform which places emphasis on establishing basic infrastructure and insurance coverage in rural areas and for low-income citizens, adheres to the principle of "increased accessibility and affordability" to China's entire population. The continuously promulgated and implemented policies and measures further reshape the competitive landscape of China's pharmaceutical industry, boosting transformation of industrial development and encouraging technological innovation and investments. New policies and innovative technologies present new opportunities and challenges to the pharmaceutical industry while laying the foundation for high-quality and more sustainable growth ahead.

In the context of the ever-changing competitive landscape, the Group's new GMP compliant factory in Changchun which is fully equipped with advanced facilities has enhanced the Group's production capacity and capability, thus further strengthening its core competitiveness in the long run. The Group is in a better position to increase its research and development capabilities in its manufactured products with a view to developing new products and extending product range for product portfolio enrichment, thereby creating a favorable momentum of long-term development and growth for the Group. In addition, the Group has been deploying additional resources in pursuing potential products from overseas pharmaceutical corporations which shall complement the existing product portfolio of the Group, and would explore strategic collaboration with international pharmaceutical enterprises, to meet China's growing demand for quality products.

Upon the completion of the disposal of the Group's 51% equity interest in Smart Ascent in July 2014, United Gene has become a strategic partner in the development of the oral insulin project in addition to being a strategic investor in the Company. As a result of the said disposal, the financial resources which the Group may deploy to improve the performances of the Group's other existing pharmaceutical businesses have been enhanced, while the Group may benefit from the enhancement of the investment value of 49% equity interest in Smart Ascent as retained and held by the Group. As part of the Group's development strategy, the Group will prudently seek new investment opportunities which are in line with the Group's existing businesses and could foster a long-term development of the Group, with a view to increasing its corporate value.

Looking ahead, although China's economic growth gets off to a slow start this year, China's pharmaceutical industry looks promising given the nation's continuing investment to medical and healthcare sectors, the rapidly aging population and the increasing health awareness and rising disposable income of citizens, which will maintain the growth momentum of the industry. The Group is cautiously optimistic about its future prospects and remains committed to promoting its long-term growth.

Financial Review

Liquidity and Financial Resources

It is the Group's strategy to mange 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 2015, the Group had total cash and bank balances (including pledged bank deposits) of about HK$172.2 million (2014: HK$123.5 million), representing an increase by approximately 39.4%.

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$20.0 million (2014: HK$19.8 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 2015 was 0.039 (2014: 0.082 (restated)), calculated based on the Group's total assets of about HK$1,138.6 million (2014: HK$720.3 million) and total debts of about HK$44.8 million (2014: HK$59.4 million (restated)), comprising convertible bonds of about HK$25.0 million (2014: HK$21.0 million (restated)), amount due to an associate of HK$19.8 million (2014: HK$ NIL), amounts due to present and former non-controlling interests of subsidiaries of HK$ NIL (2014: HK$30.9 million) and loan from a non-controlling interest of HK$ NIL (2014: HK$7.5 million).

Foreign Exchange Exposure

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

Employment and Remuneration Policy

As at 31 March 2015, the Group had 290 employees (2014: 312). Staff costs (including directors' emoluments) for the year ended 31 March 2015 amounted to approximately HK$24.2 million (2014: approximately HK$30.3 million), which was mainly due to lower volume of production and sales activities of the manufacturing segment.

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.

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

The Scheme will enable the Group to reward the employees, the directors and other selected participants for their contribution to the Group and will also assist the Group in its recruitment and retention of high caliber professionals, executives and employees who are instrumental to the growth of the Group.

From the effective date of the Scheme to 31 March 2015, no share option has been granted under the Scheme.

Corporate Governance

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

In the opinion of the directors, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report ("Code Provisions") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year ended 31 March 2015, the Company had adopted and applied the Code Provisions, except for certain deviations as set out below.

Code Provisions A.1.3 and A.7.1 stipulate that 14-day notice should be given for each regular board meeting and that in respect of regular meetings, and so far as practicable in all other cases, an agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or such other period as agreed). The Company agrees that sufficient time should be given to the directors in order to make a proper decision. In these respects, the Company adopts a more flexible approach (and yet sufficient time has been given) in convening board meetings to ensure efficient and prompt management decisions could be made.

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

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Company deviates from this Code Provision as the independent non-executive directors ("INEDs") are not appointed for specific terms. According to the bye-laws of the Company, however, the INEDs are subject to retirement and re-election. The reason for the deviation is that the Company believes that the directors ought to be committed to representing the long-term interest of the Company's shareholders.

Code Provision A.4.2 stipulates that every director should be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the directors shall retire from office by rotation provided that the Chairman, Deputy Chairman or Managing Director shall not be subject to retirement by rotation. The Company's bye-laws deviate from the Code Provision. The Company considers that the continuity of the Chairman/Deputy Chairman/Managing Director and their leadership are essential for the stability of the business and key management. The rotation methodology ensures a reasonable continuity of directorship which is to the best interest of the Company's shareholders.

Code Provision A.4.2 also stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. According to the bye-laws of the Company, any director so appointed shall hold office only until the next annual general meeting. The Company's bye-laws deviate from the Code Provision. However, the Company believes that it is in the best interest of the Company's shareholders to transact this ordinary course of business in the annual general meeting.

Code Provision A.6.7 stipulates that INEDs and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One of the INEDs, Ms. Jin Song was unable to attend the special general meeting of the Company held on 15 July 2014, and all INEDs could not attend the annual general meeting of the Company held on 29 August 2014 due to other business commitments.

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

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 2015.

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.

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 2015 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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.extrawell.com.hk). The annual report will be despatched to the shareholders of the Company and available on the above websites in due course.

By order of the Board
Extrawell Pharmaceutical Holdings Limited
Xie Yi
Chairman

Hong Kong, 29 June 2015

List of Directors as at the date of this announcement:

Executive Directors:
Dr. XIE Yi
Dr. LOU Yi
Mr. CHENG Yong
Ms. WONG Sau Kuen
Mr. LIU Kwok Wah

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

* *For identification purpose only*