Listed Company Information

EXTRAWELL PHAR<00858> - Results Announcement

Extrawell Pharmaceutical Holdings Limited announced on 26/07/2005:
(stock code: 00858)
Year end date: 31/03/2005
Currency: HKD
Auditors' Report: Qualified

	Note	(Audited) Current Period from 01/04/2004 to 31/03/2005 ('000)	(Audited) Last Corresponding Period from 01/04/2003 to 31/03/2004 ('000)
Turnover	:	169,766	215,631
Profit/(Loss) from Operations	:	(85,632)	(31,733)
Finance cost	:	(2,203)	(2,375)
Share of Profit/(Loss) of Associates	:	N/A	(1,727)
Share of Profit/(Loss) of Jointly Controlled Entities	:	N/A	N/A
Profit/(Loss) after Tax & MI	:	(75,823)	14,641
% Change over Last Period	:	N/A %	
EPS/(LPS)-Basic (in dollars)	:	(0.0331)	0.0064
-Diluted (in dollars)	:	N/A	N/A
Extraordinary (ETD) Gain/(Loss)	:	N/A	N/A
Profit/(Loss) after ETD Items	:	(75,823)	14,641
Final Dividend per Share	:	NIL	NIL
(Specify if with other options)	:	N/A	N/A
B/C Dates for Final Dividend	:	N/A	
Payable Date	:	N/A	
B/C Dates for Annual General Meeting	:	14/09/2005	to 16/09/2005 bdi.
Other Distribution for Current Period	:	N/A	
B/C Dates for Other Distribution	:	N/A	

Remarks:

1. Basis of preparation and presentation

The Company was listed on main board of The Stock Exchange of Hong Kong Limited on 10 March 1999. The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (which also include Statements of Standard Accounting Practice ("SSAPs") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention. These financial statements have been audited by the Company's auditors and reviewed by the Company's Audit Committee.

The Hong Kong Institute of Certified Public Accountants has issued a number of new HKFRSs and Hong Kong Accounting Standards, hereinafter collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

HKFRS 3 " Business Combinations" applies to the accounting for business combinations for which the agreement date is on or after 1 January 2005. The Group did not have such business combinations and accordingly, HKFRS 3 has no impact on these financial statements.

2. Loss from operations

The Group's loss from operations is arrived at after charging/(crediting):

	2005 HKD'000	2004 HKD'000
Impairment of intangible assets	79,958	59,981
Impairment of goodwill	6,600	8,906
Gain on disposal of intangible assets	-	(3,158)
Provision/(written back of provision) for bad and doubtful debts	(9,858)	4,635
Gain on disposal of subsidiaries	(72)	-
Gain on partial disposal of a subsidiary	-	(20,760)

3. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$75,823,000 (2004: net profit of HK$14,641,000) and 2,290,000,000 (2004: 2,290,000,000) ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for each of the two years ended 31 March 2004 and 2005 have not been disclosed as no diluting events existed during these two years.

4. Extract from the auditors' report

The auditors' report was qualified as to:

(1) Scope limitation - Prior year's audit scope limitation affecting opening balances
As detailed in the auditors' report on the Group's financial statements for the year ended 31 March 2004, the auditors were unable to obtain sufficient reliable evidence to satisfy themselves as to the reasonableness of the bases and assumptions used by the directors in arriving at the business valuation of 19 gene invention rights (the "Gene Invention Rights"), which were carried at HK$84,708,000 and included in the intangible assets of HK$127,744,000 in the consolidated balance sheet of the Group at 31 March 2004.

Consequently, the auditors were unable to determine whether the carrying amount of the Gene Invention Rights were fairly stated as at 31 March 2004. Any adjustments found to be necessary in respect thereof had the auditors obtained sufficient reliable evidence would have had a consequential effect on the net assets of the Group at 31 March 2004, and of its net loss for the current year and the prior year and the related disclosures thereof in the financial statements.

(2) Scope limitation - Impairment of intangible assets
The Gene Invention Rights are held by two subsidiaries (the "Subsidiaries ") of the Company. The directors considered that there was a slow down in the global gene sector during the year and there was with no sign of significant improvement up to the date of approval of these financial statements. Accordingly, the directors considered that a full provision on impairment of the carrying amount of the Gene Invention Rights was required and thus the net carrying amount of the Gene Invention Rights of HK$79,958,000 (HK$84,708,000 at 31 March 2004 less amortisation of HK$4,750,000 for the year) has been fully charged to the profit and loss account for the year. Their audit scope was limited due to the absence of reliable information to enable them to assess the value of the Gene Invention Rights. The auditors are therefore unable to satisfy themselves as to whether the recognition of the impairment loss of HK$79,958,000 is appropriate. There were no other satisfactory audit procedures that the auditors could adopt to satisfy themselves as to the appropriateness of the impairment loss recognised on the intangible assets of the Group. Any adjustments found to be necessary had the auditors obtained such evidence may have a significant consequential effect on the Group's loss for the year and its net assets as at 31 March 2005 and the related disclosures thereof in the financial statements.

(3) Scope limitation - Disposal of subsidiaries, interest in an associate and interest in a jointly-controlled entity
On 3 August 2004 (the "Disposal Date"), the Group disposed of certain subsidiaries, interest in an associate and interest in a jointly-controlled entity (together referred to as the "Disposed Companies"). The directors are unable to obtain any books and records of the Disposed Companies following the disposal. Due to lack of available books and records, the auditors are unable to obtain sufficient evidence and audit comfort regarding the value of the net assets disposed of by the Group as at the Disposal Date and hence the gain on disposal of HK$72,000 arising thereon; the net inflow of cash and cash equivalents of approximately HK$ 24,105,000 in respect of the disposal and the other amounts related to the Disposed Companies included in the consolidated cash flow statement; and

the turnover of HK$993,000, share of result of an associate of HK$ nil and loss after tax of HK$2,010,000 relating to the Disposed Companies included in the consolidated profit and loss account for the period up to the Disposal Date. Any adjustments found to be necessary to the above amounts would affect the amounts recorded in the consolidated profit and loss account in respect of the Disposed Companies up until the Disposal Date, with a corresponding effect on the gain on disposal, amounts recorded in the consolidated cash flow statement and the related disclosures thereof in the financial statements.

(4) Fundamental uncertainty - recoverability of intangible asset and other receivable
In forming their opinion, the auditors have considered the adequacy of the disclosures made in notes to the financial statements concerning the carrying value of technical know-how (the "Know-how") in relation to an oral insulin product (the "Product") and the exclusive right for the commericalisation of the Product owned by the Group of HK$284 million as at 31 March 2005. The Know-how is held by Fosse Bio-Engineering Development Limited ("Fosse Bio"), a subsidiary acquired by the Group during the year through the acquisition of Smart Ascent Limited ("Smart Ascent"), which owns 51% equity interest in Fosse Bio, from two vendors (the "Vendors"). The auditors have also considered the adequacy of the disclosures made in notes to the financial statements concerning the recoverability of a receivable (the "Receivable") in the amount of HK$31,780,000 owed by one of the Vendors to the Group. The Receivable is secured on the remaining 49% equity interest in Smart Ascent.

The Product is subject to clinical trials which are currently ongoing. The recoverability of the carrying values of the Know-how and the Receivable depends upon the result of the clinical trials and the successful launching of the Product, the outcome of which is currently uncertain.

The financial statements do not include any adjustments that may be necessary should the clinical trials or the launching of the Product be unsuccessful. The auditors consider that appropriate disclosures have been made, but since the fundamental uncertainty is so extreme the auditors have disclaimed their opinion in respect of the carrying value of the Know-how and the Receivable.

And the auditors' opinions were:

Disclaimer opinion
Because of the significance of (i) the possible effects of the limitations of scope in evidence available to the auditors as referred to points (1) and (2) above; and (ii) the fundamental uncertainty relating to the carrying values of the Know-how and the Receivable, the auditors are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2005 and of the loss and cash flows of the Group for the year then ended and as to whether or not the financial statements have been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Had the auditors not disclaimed their opinion in respect of the matters described above, the auditors would otherwise have qualified their opinion in respect of the limitation in evidence relating to the disposal of subsidiaries, interest in an associate and interest in a jointly-controlled entity as set out in point (3) above.

In respect alone of the limitations on the auditors' work as set out under points (1) to (3), the auditors have not obtained all the information and explanations that the auditors considered necessary for the purpose of their audit.

In respect alone of the limitation on the auditors' work as set out under point (3), the auditors were unable to determine whether proper books and records had been kept.