EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED
精 優 藥 業 控 股 有 限 公 司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00858)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

The board of directors (the "Board") of Extrawell Pharmaceutical Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2012 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 30 September 2012 (Unaudited) *HK$'000***	At 31 March 2012 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**65,332**	50,555
Prepaid land lease payments		**23,103**	24,201
Investment properties		**1,763**	—
Interest in an associate		**10,377**	—
Intangible assets	*4*	**286,524**	286,675
Amounts due from non-controlling interests		**6,430**	6,140
Loan to a non-controlling interest		**5,998**	4,807
		399,527	372,378
CURRENT ASSETS			
Inventories		**12,063**	12,980
Trade receivables	*5*	**83,013**	73,593
Deposits, prepayments and other receivables	*4,15(c)*	**87,577**	69,182
Pledged bank deposits		**19,648**	19,600
Cash and cash equivalents		**126,005**	140,071
		328,306	315,426
TOTAL ASSETS		**727,833**	687,804

	Note	At 30 September 2012 (Unaudited) HK$'000	At 31 March 2012 (Audited) HK$'000
CAPITAL AND RESERVES			
Share capital	6	**22,900**	22,900
Reserves		**357,523**	350,536
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**380,423**	373,436
NON-CONTROLLING INTERESTS		**201,255**	201,641
TOTAL EQUITY		**581,678**	575,077
NON-CURRENT LIABILITIES			
Amounts due to non-controlling interests		**16,836**	15,195
Loan from a non-controlling interest		**5,998**	4,807
Deferred income	15(c)	**37,037**	18,519
Deferred tax liabilities		**102**	102
		59,973	38,623
CURRENT LIABILITIES			
Trade and bills payables	7	**17,897**	10,527
Accruals and other payables		**27,207**	22,884
Amounts due to non-controlling interests		**39,495**	39,389
Tax payables		**1,583**	1,304
		86,182	74,104
TOTAL EQUITY AND LIABILITIES		**727,833**	687,804
NET CURRENT ASSETS		**242,124**	241,322
TOTAL ASSETS LESS CURRENT LIABILITIES		**641,651**	613,700

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the six months ended 30 September 2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000
Turnover	8	**82,944**	78,617
Cost of sales		**(57,518)**	(53,822)
Gross profit		**25,426**	24,795
Other revenues		**1,050**	653
Selling and distribution expenses		**(3,313)**	(5,237)
Administrative expenses		**(13,060)**	(11,434)
Research and development expenses		**(644)**	(132)
Share of results of an associate		**(2,142)**	—
Profit before taxation	10	**7,317**	8,645
Taxation	11	**(716)**	(415)
Profit for the period		**6,601**	8,230
Other comprehensive income/(expenses)			
Reclassification adjustment — Release of translation reserve upon closure of a foreign operation		**—**	(1,562)
Total comprehensive income for the period		**6,601**	6,668
Profit for the period attributable to			
Equity holders of the Company		**6,987**	8,714
Non-controlling interests		**(386)**	(484)
		6,601	8,230
Total comprehensive income for the period attributable to			
Equity holders of the Company		**6,987**	7,152
Non-controlling interests		**(386)**	(484)
		6,601	6,668
Interim dividends	12	**—**	—
Earnings per share for profit attributable to equity holders of the Company during the period	13	***HK cents***	*HK cents*
— Basic		**0.31**	0.38
— Diluted		**N/A**	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board on 28 November 2012.

Key events

The subscription for the 20% enlarged registered capital of 龍脈(上海)健康管理服務有限公司 ("Shanghai Longmark") was completed in April 2012, and since then Shanghai Longmark has become the Group's associate. Details are disclosed in the Company's announcement dated 13 January 2012.

On 16 May 2012, Shanghai Longmark was granted an unsecured, interest-bearing loan in the aggregate principal amount of RMB7,500,000 by the Group for financing the working capital requirements of Shanghai Longmark. The loan was fully drawn down as at 30 September 2012. Details are disclosed in the Company's announcement dated 16 May 2012.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Group has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

This condensed consolidated interim financial information should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2012 (the "2012 Audited Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information of the Group has been prepared under the historical cost convention, and the accounting policies used in the preparation of this interim financial information are consistent with those set out in the 2012 Audited Financial Statements. In addition, the accounting policies for interest in an associate and investment properties which did not take place in the Group's financial year ended 31 March 2012 but in the current interim period are set out as below:

(a) Interest in an associate

An associate is an entity, other than a subsidiary or a jointly controlled entity, in which the Group has a long term equity interest and has significant influence over its management.

Investment in an associate is carried in the consolidated financial statements at cost plus the Group's share of its post-acquisition results less dividends received and provision for impairment.

Result of an associate is incorporated in the consolidated financial statements to the extent of the Group's share of their comprehensive income. Losses of an associate in excess of the Group's interests in the associate are not recognised unless the Group has incurred legal or constructive obligations.

(b) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

The Group has adopted a number of new and revised HKFRS, which are newly effective for the period under review. The adoption of these new and revised HKFRS has no material impact on the condensed consolidated interim financial information of the Group.

The Group has not early applied the new and revised HKFRS that have been issued but are not yet effective in the preparation of this condensed consolidated interim financial information of the Group. The Group is in the process of making an assessment of the expected impact of these new and revised HKFRS in the period of initial application. So far it is considered that their adoption is unlikely to have a significant impact on the results and the financial position of the Group.

4. MODIFIED AUDIT OPINION — 2012 AUDITED FINANCIAL STATEMENTS

In the 2012 Audited Financial Statements, there were two significant matters highlighted in the Independent Auditors' Report in relation to:

(i) the amount of technological know-how of approximately HK$284,260,000 (30 September 2012: HK$284,260,000) as included in "Intangible assets", and

(ii) amounts each of about HK$31,780,000 (30 September 2012: HK$31,780,000) included in "Deposits, prepayments and other receivables" as current asset and "Amounts due to non-controlling interests" as current liability respectively.

The emphasis of the aforesaid significant matters as stated in the Independent Auditors' Report is now reproduced as below:

(i) technological know-how of approximately HK$284,260,000

"(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.

(ii) amount of approximately HK$31,780,000

(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."

5. **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 120 days, extending up to one year for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

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

	At 30 September 2012 (Unaudited)	At 31 March 2012 (Audited)
	HK$'000	*HK$'000*
Within 90 days	**40,282**	28,398
Between 91 to 180 days	**24,552**	20,367
Between 181 to 365 days	**16,159**	24,828
Between 1 to 2 years	**2,020**	—
	83,013	73,593

6. **SHARE CAPITAL**

	At 30 September 2012 (Unaudited)	At 31 March 2012 (Audited)
	HK$'000	*HK$'000*
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
2,290,000,000 ordinary shares of HK$0.01 each	**22,900**	22,900

7. TRADE AND BILLS PAYABLES

The ageing analysis of trade and bills payables is as follows:

	At 30 September 2012 (Unaudited)	At 31 March 2012 (Audited)
	HK$'000	*HK$'000*
Within 90 days	**15,618**	7,803
Between 91 to 180 days	**30**	1,122
Between 181 to 365 days	**952**	207
Between 1 to 2 years	**852**	996
Over 2 years	**445**	399
	17,897	10,527

8. TURNOVER

The Group's turnover comprises the following:

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Manufacturing of pharmaceutical products	**34,767**	24,917
Trading of pharmaceutical products	**48,177**	53,700
	82,944	78,617

9. SEGMENT INFORMATION

Detailed segment information is presented by way of the Group's primary segment reporting basis, which is by business segment. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in the PRC, and over 90% of the Group's assets and capital expenditures were 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 oral insulin segment engages in the development and commercialisation of oral insulin products; and

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

The following is an analysis of the Group's revenues and results by operating segments for the period under review:

	For the six months ended 30 September									
	Manufacturing		**Trading**		**Oral insulin**		**Gene development**		**Consolidated**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	(Unaudited)		**(Unaudited)**		**(Unaudited)**		**(Unaudited)**		**(Unaudited)**	
	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	**34,767**	24,917	**48,177**	53,700	**—**	—	**—**	—	**82,944**	78,617
Segment results	**2,777**	2,430	**9,986**	9,813	**(1,248)**	(1,074)	**(6)**	(30)	**11,509**	11,139
Bank interest income									**772**	653
Net unallocated expenses									**(2,822)**	(3,147)
Share of loss of an associate									**(2,142)**	—
Profit before taxation									**7,317**	8,645
Taxation									**(716)**	(415)
Profit for the period									**6,601**	8,230
Attributable to:										
Equity holders of the Company									**6,987**	8,714
Non-controlling Interests									**(386)**	(484)
									6,601	8,230

10. PROFIT BEFORE TAXATION

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

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of sales	**57,518**	53,822
Depreciation and amortisation of property, plant and equipment and prepaid land lease payments	**1,800**	1,882
Amortisation of intangible assets (included in cost of sales)	**151**	144
Depreciation of investment properties	**30**	—
Increase in allowance for inventories	**1,060**	—
Impairment on trade receivables	**5,250**	4,238
Reversal of impairment on trade receivables	**(6,865)**	(4,066)
Loss on disposal of property, plant and equipment	**—**	1
Release of translation reserve upon closure of a foreign operation	**—**	(1,562)
Exchange gain, net	**(22)**	(532)
Interest income on bank balances*	**(772)**	(653)
Loan interest income*	**(167)**	—
Rental income from investment properties*	**(111)**	—
Research and development expenses	**644**	132
Staff cost (including directors' emoluments)		
— Salaries, bonus and allowances	**11,762**	13,671
— Retirement benefits scheme contributions	**1,639**	1,265

* *Included in Other Revenues*

11. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the period ended 30 September 2012. Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Under the PRC Enterprise Income Tax Law, the Company's PRC subsidiaries are subject to income tax at a rate which has been increased from the rate of 24% in 2011 to a standardised rate of 25%.

In accordance with the relevant tax legislation in Malaysia, enterprises are subject to profits tax rate of a lower of a flat rate of MYR20,000 per annum or a rate of 3% of their net profits for the year. Entity owned by the Group, which operates in Malaysia, elected to pay the profits tax at a flat rate of MYR20,000 per annum for each of the two periods ended 30 September 2012 and 2011.

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong	**35**	36
Current — Outside Hong Kong	**681**	379
Total tax charge for the period	**716**	415

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

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit before taxation	**7,317**	8,645
Tax at the statutory tax rates applicable to the respective tax jurisdictions	**(41)**	321
Tax effect of share of loss of an associate	**529**	—
Tax effect on income not taxable	**(418)**	(585)
Tax effect on expenses not deductible	**648**	679
Others	**(2)**	—
Tax charge for the period	**716**	415

12. INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2012 (six months ended 30 September 2011: HK$Nil).

13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the equity holders of the Company for the six months ended 30 September 2012 of HK$6,987,000 (six months ended 30 September 2011: HK$8,714,000) and on 2,290,000,000 (2011: 2,290,000,000) ordinary shares in issue during the six months ended 30 September 2012.

There were no potential diluted ordinary shares in existence for each of the six months ended 30 September 2012 and 2011 and accordingly, no diluted earnings per share has been presented.

14. CONTINGENT LIABILITIES

At 30 September 2012, corporate guarantees totaling HK$18 million were given by the Group to a bank in connection with banking facilities provided to certain of the Company's subsidiaries, and approximately HK$9.8 million (31 March 2012: HK$3.4 million) of the facilities had been utilised.

15. COMMITMENTS

(a) Operating lease commitments

(i) At 30 September 2012, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 September 2012 (Unaudited) ***HK$'000***	At 31 March 2012 (Audited) *HK$'000*
Within one year	**1,733**	1,733
In the second to fifth years, inclusive	**722**	1,589
	2,455	3,322

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

(ii) At 30 September 2012, the Group's total future minimum rental receivables under non-cancellable operating leases are as follows:

	At 30 September 2012 (Unaudited) ***HK$'000***	At 31 March 2012 (Audited) *HK$'000*
Within one year	**222**	—
In the second to fifth years, inclusive	**334**	—
	556	—

(b) Other commitments

(i) In connection with the acquisition of the interest in Fosse Bio as disclosed in note 4, at 30 September 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.

Pursuant to the loan agreement dated 25 May 2011, Smart Ascent, a 51%-owned indirect subsidiary of the Company agreed to grant an unsecured, non-interest bearing loan for the aggregate amount of up to HK$30,000,000 to Fordnew Industrial Limited ("Fordnew") which owns 29% interest in Fosse Bio, for its onward lending to Fosse Bio for payment of expenses relating to the clinical trial of the Product. At 30 September 2012, the remaining unutilised balance available for Fordnew is HK$24,002,000 (31 March 2012: HK$25,193,000).

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

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

(2) Sea Ascent shall advance a sum equivalent to RMB40 million to Joy Kingdom by way of an unsecured, non-interest bearing shareholder's loan ("Shareholder's Loan") for the payment of the registered capital of Jiangsu Prevalence and the acquisition of land and construction of a factory (the "Plant") at Pi Zhou City, Jiangsu, the PRC for the production of the Group's Oral Insulin Enteric-Coated Soft Capsules (the "Medicine");

(3) Subject to Sea Ascent's performance of its obligations as aforesaid and completion of the acquisition of Joy Kingdom by Welly Surplus as mentioned below, Welly Surplus shall procure Joy Kingdom or Jiangsu Prevalence, if so agreed, to pay to Sea Ascent, during a period of six years from the date on which the Medicine is launched for sales in open market (the "Initial Operating Period"), a fee at RMB6 cents for each capsule of the Medicine produced (subject to a maximum fee of RMB180 million for each year and deduction as specified in the Cooperation Agreement); and

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

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

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

(iii) Pursuant to clinical trial of the oral insulin project, Fosse Bio has entered into service contracts with 瀋陽鑫泰格爾醫藥科技開發有限公司 (the "Project Administrator") dated 16 December 2009 and 22 July 2012 with value in total of RMB14,080,000 for provision of clinical trial management services and the related clinical studies.

As at 30 September 2012, RMB11,475,000 (31 March 2012: RMB9,475,000) was paid to the Project Administrator and the aggregate authorised contract value not provided for at the end of this period amounted to RMB2,605,000 (31 March 2012: RMB2,605,000).

(c) Commitment on resumption of land

On 28 December 2011, Changchun Extrawell Pharmaceutical Co., Limited ("Changchun Extrawell"), a 73% owned subsidiary of the Company, entered into an agreement with Changchun Economic Technological Development Zone Land Reserve Centre (the "Land Reserve Centre"), a local authority of the Changchun Municipal Government, China to surrender its land and production facilities in the Changchun Economic Technological Development Zone on or before 30 September 2013 in consideration of a cash compensation of an aggregate amount of RMB47,112,000 (the "Resumption Agreement"). As at 30 September 2012, the compensation receivables from the Land Reserve Centre amounted to RMB30,000,000 which were recorded in "Deposits, prepayments and other receivables" with the corresponding entry as "Deferred income", and the non-cancellable lease income with respect to the resumption of the land by the Land Reserve Centre as at the end of the period is as follows:

	At 30 September 2012 (Unaudited) ***HK$'000***	At 31 March 2012 (Audited) *HK$'000*
Within one year	**21,125**	18,519
In the second to fifth years, inclusive	**—**	21,125
	21,125	39,644

(d) Capital commitments

The Group had the following capital commitments in respect of the new plant in Changchun as at 30 September 2012:

	At 30 September 2012 (Unaudited) *HK$'000*	At 31 March 2012 (Audited) *HK$'000*
Authorised and contracted for, but not provided for	**18,015**	—
Authorised but not yet contracted for	**43,914**	—
	61,929	—

16. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the disclosures elsewhere in this interim financial information, the Group had the following transactions with its related parties during the period ended 30 September 2012:

(i) Compensation for key management personnel, including amounts paid to the Company's directors is as follows:

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Salaries, fees and other benefits	**1,367**	1,353
Pension scheme contributions	**7**	6
	1,374	1,359

(ii) Provision of a loan to Fordnew

On 6 August 2012, Fordnew made a drawdown notice for the sum of approximately HK$1,191,000 to Smart Ascent pursuant to the loan agreement dated 25 May 2011 entered into between Smart Ascent and Fordnew 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 amount of the loan to Fordnew was contributed by the Company's wholly owned subsidiary Extrawell (BVI) Limited ("EBVI") and Mr Ong Cheng Heang ("Mr Ong") based on their respective equity interests of 51% and 49% in Smart Ascent.

(iii) During the period under review, EBVI had advanced to Smart Ascent of approximately HK$1,455,000. These advances are unsecured, non-interest bearing and repayable upon demand. Mr Ong is regarded as a connected person only at the Company's subsidiary level, and therefore the advances made by EBVI to Smart Ascent during the period under review do not constitute connected transactions under the Listing Rules. As at 30 September 2012, the outstanding balance of the advances made by EBVI to Smart Ascent was approximately HK$15,836,000 (31 March 2012: approximately HK$14,381,000)

17. COMPARATIVE FIGURES

Certain comparative figures in the 2011 Interim Period have been reclassified in order to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overall Performance

Although China's economic growth has seen to be decelerating as a result of recent economic crisis in the Euro-zone and sluggish recovery in the U.S. economy, the Mainland's pharmaceutical industry continues to maintain the momentum of high growth. In addition to the nation's deepening reform of the pharmaceutical and healthcare systems and the deployment of financial resources under the Twelfth Five-Year Plan to promote and facilitate the rapid development of the pharmaceutical industry, other factors such as the rapidly aging population, accelerated pace of urbanisation and rising health consciousness in the general public along with improving living standards tend to support growth and development of the pharmaceutical and healthcare sectors over the long-term. Recognising both the opportunities and challenges in the increasingly complicated pharmaceutical market, the Group continues to exert efforts in enhancing its operational efficiency while permitting flexibility to adapt to the market changes.

For the 6-month period ended 30 September 2012 (the "2012 Interim Period"), the Group's turnover recorded an increase of about 5.5% to HK$82.9 million when compared to HK$78.6 million in the 6-month period ended 30 September 2011 (the "2011 Interim Period"); whereas the manufactured pharmaceutical sector saw a significant growth by about 40% to HK$34.8 million which balanced off the decrease in turnover of the imported pharmaceutical sector by about 10% to HK$48.2 million.

Gross profit also increased by about 2.5% from HK$24.8 million in the 2011 Interim Period to HK$25.4 million in the 2012 Interim Period, which primarily reflected the increase in turnover. Under severe market competition, there was a slight decline in gross margin from 31.5% in the 2011 Interim Period to 30.7% in the 2012 Interim Period.

The Group's profit in the 2012 Interim Period was about HK$6.6 million as compared to HK$8.2 million in the 2011 Interim Period; a decrease of HK$1.6 million or 20%, after taking into account of the share of loss of an associate amounting to HK$2.1 million due to its business start-up costs.

The Group's profit attributable to the equity holders of the Company was about HK$7.0 million, representing a decrease of 20% when compared to HK$8.7 million in the 2011 Interim Period.

Imported Pharmaceutical Sector

Sales of imported pharmaceutical products decreased by approximately 10.3% to HK$48.2 million when compared to HK$53.7 million in the 2011 Interim Period, which was primarily due to sales mix.

Segment profit was maintained at about HK$10 million, representing a slight increase of 1.8% when compared to HK$9.8 million in the 2011 Interim Period. However, when taking into account of the release of gain on translation reserve of HK$1.6 million included in the 2011 Interim Period, there was an increase of about HK$1.7 million or 21%, as management kept improving operating efficiency and achieved profitability through adjusting its strategies and minimising operating costs and expenses.

Manufactured Pharmaceutical Sector

Sales of self-manufactured pharmaceutical products increased by approximately HK$9.9 million to HK$34.8 million, representing 39.5% increase from about HK$24.9 million in the 2011 Interim Period. The significant increase was mainly attributable to the double-digit growth in sales volume of the Group's two core product lines which are specialised in the improving of the human body's immunity system against infectious diseases and the treating of iron deficiency anemia.

During the period under review, management strived for greater market share by devoting more resources in drug tendering and strengthening the market coverage in rural areas. Although segment profit margin decreased from about 9.8% in the 2011 Interim Period to about 8% in the 2012 Interim Period, segment profit increased by about HK$0.35 million or 14% over the corresponding period in 2011 as a result of the increase in turnover.

By aligning internal resources, construction of the new production plant in Changchun is underway with minimal disruption to the Group's existing operations. The Group will leverage the opportunities of plant relocation and production facilities advancement to increase its capability for future business development.

Oral Insulin Sector

As the clinical trial is still in progress, there was no revenue generated during this interim period. The increase in loss was mainly due to an increase in the administrative expenses for the clinical trial.

Gene Development Sector

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

Selling and Distribution Expenses

Selling and distribution expenses decreased to about HK$3.3 million, representing a drop of about HK$1.9 million or 37% as compared to HK$5.2 million in the 2011 Interim Period. This was mainly a result of cost reduction benefited from the streamlined trading business, a write-back of impairment provision for trade receivables of HK$1.8 million and an additional provision of slow-moving inventories of HK$1.1 million.

Administrative Expenses

Administrative expenses were maintained at similar level of about HK$13.1 million when compared to HK$13.0 million (before accounting for the release of gain on translation reserve of about HK$1.6 million on the foreign operation) in the 2011 Interim Period, as the Group persistently imposed stringent control over such expenses.

Other Revenues

Other revenues increased by about HK$0.40 million from about HK$0.65 million in the 2011 Interim Period to about HK$1.05 million in the 2012 Interim Period, representing an increase of about 61%. The increase was due to rental income derived from properties which were previously used by the Group but leased out in the period under review and loan interest income on the loan granted to the Group's associate.

Seasonal or Cyclical Factors

The Group's business operations were not significantly affected by any seasonal and cyclical factors, except extended statutory holidays in the PRC that may lead to lower Group's turnover and profit for the months in which these holidays are declared. There is no seasonal and cyclical factor for its borrowing requirements.

Financial Review

The Group generally finances its operations with internally generated cash flow and facilities granted by its principal banker in Hong Kong, Industrial and Commercial Bank of China (Asia) Limited. As at 30 September 2012, the Group had total cash and bank balances (including pledged bank deposits) of about HK$145.7 million (31 March 2012: HK$159.7million), representing a decrease by approximately 8.8%.

The Group did not have bank borrowings as at 30 September 2012 (31 March 2012: HK$Nil) 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 (31 March 2012: HK$19.6 million) and corporate guarantees from the Company and certain subsidiaries of the Company. In general, there is no significant seasonality fluctuation on trade finance requirement of the Group.

The Group's total borrowing over total assets ratio as at 30 September 2012 was 0.09 (31 March 2012: 0.09), calculated based on the Group's total debts of about HK$62.3 million (31 March 2012: HK$59.4 million), comprising amounts due to non-controlling interests of subsidiaries of about HK$56.3 million (31 March 2012: HK$54.6 million) and loan from a non-controlling interest of about HK$6.0 million (31 March 2012: HK$4.8 million).

Foreign Exchange Exposure

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

OUTLOOK

Despite China's economic growth is subject to external destablising forces and uncertainties, the development of the pharmaceutical and healthcare sectors in the Mainland looks promising with the supportive policies under the Twelfth Five-Year Plan. The change in population structure and spectrum of diseases coupled with the rising standard of living further support optimism towards continued growth in demand for quality drugs and healthcare services.

To capture the opportunities of growing market demand, the Group will advance its production capacity and capability during the relocation of the Group's production plant in Changchun so as to optimise its product mix and strengthen its core competitiveness to react to market changes and new challenges.

Meanwhile, the Group would further still place a high priority on promoting the success of the clinical trial of the oral insulin which is progressing in the clinical trial centres in the Mainland, aiming at pushing forward an encouraging result. As a development strategy, the Group will continue to put efforts into product research and development and exploit new products possibly through collaborative relations with international enterprises.

With positive development prospects for the Mainland's pharmaceutical and healthcare sectors, the Group is well-positioned in maintaining a stable and sustainable development of the Group.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2012, the Group had 290 employees (30 September 2011: 310). Staff costs excluding directors' remuneration and included those charged in the cost of sales for the six months ended 30 September 2012 amounted to approximately HK$12.0 million (six months ended 30 September 2011: approximately HK$13.6 million), achieving cost economies from consolidation of human resources and streamlined business operations.

The Group remunerates its employees based on industry practices. Its staff benefits, welfare and statutory contributions, if any, are made in accordance with prevailing labour laws of its operating entities.

The share option scheme as adopted by the Company on 8 August 2002 (the "Old Scheme") expired on 14 August 2012. Upon its expiration, an ordinary resolution for the approval and adoption of a new share option scheme (the "New Scheme") was proposed at the annual general meeting of the Company held on 24 August 2012, which was passed by the Company's shareholders. The New Scheme became effective upon obtaining the requisite listing approval from the Stock Exchange on 29 August 2012 and will remain in force for a period of 10 years commencing on 29 August 2012.

The New 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.

During the period ended 30 September 2012, no share option was granted, exercised, cancelled or lapsed under the Old Scheme and the New Scheme.

CORPORATE GOVERNANCE

The Code on Corporate Governance Practices (the "Former Code") as set out in Appendix 14 of the Listing Rules was revised to, and renamed as, Corporate Governance Code (the "Revised Code") from 1 April 2012. The Company has complied with the code provisions ("Code Provisions") of the Revised Code throughout the six months ended 30 September 2012, except for the deviations as set out below:

Code Provisions A.1.3 and A.7.1 stipulate that 14-day notice should be given for each regular board meeting and that in respect of regular meetings, and as 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 other agreed period). The Company agrees that sufficient time should be given to the directors in order to make a proper decision. In these respects, the Company adopts a more flexible approach (and yet sufficient time has been given) in convening board meetings to ensure efficient and prompt management decisions could be made.

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 Company's directors, the directors have complied with the required standards set out in the Model Code throughout the interim period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2012, the Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee, which comprises three INEDs with terms of reference in compliance with Code Provision C.3.3, has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2012, and was content that the accounting principles and practices adopted by the Group were in conformity with the current practices in Hong Kong.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM 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 interim 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
Mao Yu Min
Chairman

Hong Kong, 28 November 2012

As at the date of this announcement, the executive directors are Dr Mao Yu Min, Dr Xie Yi, Dr Lou Yi and Ms Wong Sau Kuen and the independent non-executive directors are Mr Fang Lin Hu, Mr Xue Jing Lun and Ms Jin Song.

* *For identification purpose only*