Extrawell Pharmaceutical Holdings Limited

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

2013/14

INTERIM REPORT

CONTENTS

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 2013 together with the comparative figures as follows:

Condensed Consolidated Statement of Financial Position

	Note	At 30 September 2013 (Unaudited) HK$'000	At 31 March 2013 (Audited) HK$'000
Non-Current Assets			
Investment properties		1,704	1,733
Property, plant and equipment	*9*	113,354	78,032
Prepaid land lease payments		22,156	22,537
Intangible assets	*3*	286,136	286,203
Goodwill	*10*	598,349	—
Available-for-sale investments	*11*	13,128	—
Interest in an associate	*11*	—	9,733
Amounts due from non-controlling interests		6,583	6,056
Loan to a non-controlling interest		5,997	5,997
		1,047,407	410,291
Current Assets			
Inventories		14,644	13,150
Trade receivables	*6*	75,004	74,805
Deposits, prepayments and other receivables	*3,12*	43,462	63,208
Pledged bank deposits		19,761	19,712
Cash and cash equivalents	*3,12*	153,565	136,450
		306,436	307,325
Total Assets		1,353,843	717,616

	Note	At 30 September 2013 (Unaudited) HK$'000	At 31 March 2013 (Audited) HK$'000
Capital and Reserves			
Share capital	*4, 7*	23,900	22,900
Reserves		895,420	361,447
Equity attributable to Equity Holders of the Company		919,320	384,347
Non-controlling interests		135,837	198,945
Total Equity		1,055,157	583,292
Non-Current Liabilities			
Amounts due to non-controlling interests	*12*	9,874	17,702
Loan from a non-controlling interest		5,997	5,997
Deferred income — non-current portion	*5*	—	37,037
Deferred tax liabilities		102	102
Convertible bonds	*4*	116,275	—
		132,248	60,838
Current Liabilities			
Trade and bills payables	*8*	11,841	13,898
Accruals and other payables		17,655	18,984
Amounts due to non-controlling interests	*3, 12*	32,404	39,470
Deferred income — current portion	*5, 19(d)*	103,087	—
Tax payables		1,451	1,134
		166,438	73,486
Total Equity and Liabilities		1,353,843	717,616
Net Current Assets		139,998	233,839
Total Assets Less Current Liabilities		1,187,405	644,130

Condensed Consolidated Statement of Comprehensive Income

	Note	For the six months ended 30 September 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Turnover	*13*	**69,612**	82,944
Cost of sales		**(47,405)**	(57,518)
Gross profit		**22,207**	25,426
Other revenues		**3,214**	1,050
Selling and distribution expenses		**(4,364)**	(3,313)
Administrative expenses		**(12,965)**	(13,060)
Research and development expenses		**(838)**	(644)
Gain on reclassification of an associate	*11*	**3,086**	—
Share of results of an associate	*11*	**—**	(2,142)
Profit from operations		**10,340**	7,317
Finance costs	*4*	**(2,090)**	—
Profit before taxation	*14*	**8,250**	7,317
Taxation	*15*	**(529)**	(716)
Profit for the period		**7,721**	6,601
Total comprehensive income for the period		**7,721**	6,601
Profit for the period attributable to			
Equity holders of the Company		**7,858**	6,987
Non-controlling interests		**(137)**	(386)
		7,721	6,601

	Note	For the six months ended 30 September 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Total comprehensive income for the period attributable to			
Equity holders of the Company		**7,858**	6,987
Non-controlling interests		**(137)**	(386)
		7,721	6,601
Interim dividends	*16*	**—**	—
Earnings per share for profit attributable to equity holders of the Company during the period	*17*	**HK cents**	HK cents
— Basic		**0.34**	0.31
— Diluted		**0.31**	N/A

Condensed Consolidated Statement of Changes in Equity

	Attributable to the equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Foreign currency translation reserve HK$'000	Equity component convertible bonds HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2012 (audited)	22,900	133,717	6,542	4,839	36,141	–	169,297	373,436	201,641	575,077
Comprehensive income										
Profit for the period (unaudited)	–	–	–	–	–	–	6,987	6,987	(386)	6,601
Total comprehensive income for the period	–	–	–	–	–	–	6,987	6,987	(386)	6,601
At 30 September 2012 (unaudited)	22,900	133,717	6,542	4,839	36,141	–	176,284	380,423	201,255	581,678
At 1 April 2013 (audited)	**22,900**	**133,717**	**6,542**	**4,839**	**36,176**	**–**	**180,173**	**384,347**	**198,945**	**583,292**
Issue of convertible bonds *(note 4)*	**–**	**–**	**–**	**–**	**–**	**514,362**	**–**	**514,362**	**–**	**514,362**
Conversion of convertible bonds *(notes 4 and 7)*	**1,000**	**63,189**	**–**	**–**	**–**	**(51,436)**	**–**	**12,753**	**–**	**12,753**
Change arising from increase of the Group's shareholding in a subsidiary *(note 10)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(62,971)**	**(62,971)**
Comprehensive income										
Profit for the period (unaudited)	**–**	**–**	**–**	**–**	**–**	**–**	**7,858**	**7,858**	**(137)**	**7,721**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**7,858**	**7,858**	**(137)**	**7,721**
At 30 September 2013 (unaudited)	**23,900**	**196,906**	**6,542**	**4,839**	**36,176**	**462,926**	**188,031**	**919,320**	**135,837**	**1,055,157**

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net Cash (Used in)/Generated from Operating Activities	**(3,639)**	13,537
Net Cash Generated from/(Used in) Investing Activities	**1,762**	(29,060)
Net Cash Generated from Financing Activities	**18,992**	1,457
Increase/(Decrease) in Cash and Cash Equivalents	**17,115**	(14,066)
Cash and cash equivalents at the beginning of the period	**136,450**	140,071
Cash and Cash Equivalents at the End of the Period	**153,565**	126,005
Analysis of the Cash and Cash Equivalents		
Bank and cash balances *(note 12)*	**153,565**	126,005

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").

This condensed consolidated interim financial information was approved for issue by the Board on 29 November 2013.

Key events

On 25 April 2013, Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd. ("Jilin Extrawell"), a wholly-owned subsidiary of the Company entered into a capital injection and subscription agreement with 東龍脈(上海)健康管理服務有限公司 ("東龍脈") and Dr. Xie Yi ("Dr. Xie"), in which Dr. Xie agreed to subscribe RMB7,490,000 (the "Subscription") for the registered capital of 龍脈(上海)健康管理服務有限公司 ("Shanghai Longmark"), the then associate of the Company. The Subscription was completed in August 2013, and the registered capital of Shanghai Longmark thus increased from RMB12,500,000 to RMB19,990,000. Accordingly, the Company's equity interest in Shanghai Longmark was diluted from 20% to 12.51%. 東龍脈 and Shanghai Longmark are both indirectly owned subsidiaries of United Gene High-Tech Group Limited ("United Gene"), the shares of which are listed on the Stock Exchange. Details of the transaction are set out in United Gene's announcement dated 25 April 2013.

1. General Information (Continued)

Key events (Continued)

On 16 July 2013, Smart Ascent Limited ("Smart Ascent"), formerly a 51% owned subsidiary of the Group and the immediate holding company of the Group's oral insulin operations, has become a wholly-owned subsidiary of the Company upon completion of the Group's acquisition for the 49% non-controlling interest in Smart Ascent (the "Acquisition"). The results of the Company's special general meeting approving the Acquisition as held on 4 July 2013 are disclosed in the Company's announcement on the even date, and details regarding the Acquisition are disclosed in the Company's announcement dated 27 February 2013 and the circular dated 18 June 2013.

On 6 August 2013, Jilin Extrawell entered into a building and land transfer agreement (the "Transfer Agreement") with Jilin Science and Technology Information Research Institute (the "Institute"); whereby the Institute has agreed to acquire the manufacturing plants of Jilin Extrawell at a consideration of RMB45,000,000. Jilin Extrawell has received the said consideration in accordance with the terms of the Transfer Agreement in the period under review. The conditions precedent to the Transfer Agreement have not yet been fulfilled as at the date of approval of this condensed consolidated interim financial information. Details are disclosed in the Company's announcement dated 6 August 2013.

2. Basis of Preparation and Principal Accounting Policies

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").

2. Basis of Preparation and Principal Accounting Policies (Continued)

This condensed consolidated interim financial information should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2013 (the "2013 Audited Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). In addition, the accounting policies which did not take place in the Group's financial year ended 31 March 2013 but in the current interim period are set out as below:

(a) Convertible bonds

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

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturing investments. At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment loss on available-for-sale financial assets is recognised in profit or loss.

2. Basis of Preparation and Principal Accounting Policies (Continued)

(b) Available-for-sale financial assets (Continued)

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period. The Group designated the shareholder's loan relating to an unlisted investment as available-for-sale financial assets since the Group intends to capitalise the shareholder's loan as further investments in these investments.

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.

3. Modified Audit Opinion — 2013 Audited Financial Statements

In the 2013 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 2013: HK$284,260,000) as included in "Intangible assets", and

3. Modified Audit Opinion — 2013 Audited Financial Statements (Continued)

(ii) an amount of about HK$31,780,000 (30 September 2013: HK$Nil, settled and funds in escrow included in “Cash and cash equivalents”) included in “Deposits, prepayments and other receivables” as current asset and an amount of about HK$31,780,000 (30 September 2013: HK$31,780,000) included in “Amounts due to non-controlling interests” as current liability.

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 2013 is the technological know-how with the carrying value of approximately HK$284,260,000 (2012: 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 2013. 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.

3. Modified Audit Opinion — 2013 Audited Financial Statements (Continued)

(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 (2012: 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."

4. Convertible Bonds

On 16 July 2013, the Company issued zero coupon convertible bonds with an aggregate principal amount of HK$641,300,000 (the "Bonds") as part of the consideration for the Acquisition. The Bonds are convertible at the option of the bondholders into ordinary shares of the Company at an initial conversion price of HK$0.6413 per share on or before the seventh business day prior to the maturity date of 16 July 2033.

On initial recognition, the fair value of the Bonds comprising liability component of about HK$126,938,000 and equity component of about HK$514,362,000 are separately accounted in non-current liability and equity respectively, and in the period under review, imputed interests of about HK$2,090,000 in respect of the liability component were recognised as finance costs.

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

5. Deferred Income

Of the amount HK$103,087,000, HK$55,556,000 was the consideration paid by the Institute to Jilin Extrawell pursuant to the Transfer Agreement, and the balance of HK$47,531,000 (31 March 2013: HK$37,037,000) was the cumulative compensation received by Changchun Extrawell Pharmaceutical Co., Limited ("Changchun Extrawell") pursuant to the agreement entered with 長春經濟技術開發區土地收購儲備中心 on 28 December 2011 (the "Resumption Agreement") regarding the early termination of the land use right of the factory premises held by Changchun Extrawell.

As the conditions precedent to the Transfer Agreement and Resumption Agreement have not yet been fulfilled as at the date of approval of this condensed consolidated interim financial information, the balance in connection thereof has been classified as deferred income under current liability.

6. 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. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

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

	At 30 September 2013 (Unaudited) HK$'000	At 31 March 2013 (Audited) HK$'000
Within 90 days	**35,572**	35,836
Between 91 to 180 days	**24,901**	26,100
Between 181 to 365 days	**14,531**	12,869
	75,004	74,805

7. Share Capital

	At 30 September 2013 (Unaudited) HK$'000	At 31 March 2013 (Audited) HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
2,390,000,000 ordinary shares of HK$0.01 each *(note 4)*	**23,900**	22,900

8. Trade and Bills Payables

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

	At 30 September 2013 (Unaudited) HK$'000	At 31 March 2013 (Audited) HK$'000
Within 90 days	**11,204**	11,863
Between 91 to 180 days	**52**	1,492
Between 181 to 365 days	**1**	—
Between 1 to 2 years	**131**	144
Over 2 years	**453**	399
	11,841	13,898

9. Property, Plant and Equipment

Movements of property, plant and equipment were mainly related to additions of construction in progress for the new factory premises being built for Changchun Extrawell's relocation of production facilities.

10. Goodwill

The amount represents the excess of investment costs over the Group's share of 49% of the fair value of non-controlling interest in the consolidated net asset value of Smart Ascent upon completion of the Acquisition on 16 July 2013.

11. Available-for-sale Investments and Interest in an Associate

Interest in Shanghai Longmark was reclassified from "Interest in an associate" to "Available-for-sale investments" following the completion of the Subscription in August 2013; thereby diluting the Group's equity interest from 20% to 12.51%. As a result, the Group considered it was no longer in a position to exercise significant influence over Shanghai Longmark and ceased to account for the investments as an associate, which gives rise to an accounting gain of about HK$3,086,000 on reclassification of the investments in Shanghai Longmark as available-for-sale investments.

As at 30 September 2013, the carrying amount of about HK$13,128,000 represents the Group's equity investment of RMB2,500,000, an interest-bearing shareholder's loan of RMB7,500,000 and loan interest receivable of about RMB634,000. The shareholder's loan is capital in nature and is therefore designated as available-for-sale investments since the Group intends to capitalise it as further investments in Shanghai Longmark.

12. Deposits, Prepayments and Other Receivables, and Amounts Due to Non-controlling Interests

Movements mainly represent the settlement between the Group and the non-controlling interest of Smart Ascent in relation to the receivable amount of HK$31,780,000 as disclosed in note 3 and amounts due to the non-controlling interests (current and non-current portions) upon completion of the Acquisition.

The receivable amount of HK$31,780,000 as stated in note 3 (ii) has been settled upon completion of the Acquisition, and the said amount was held in escrow for Mr. Ong Cheng Heang ("Mr. Ong"), being the then non-controlling interest of Smart Ascent and vendor to the Acquisition, and was included in "Cash and cash equivalents" as at 30 September 2013. Subsequent to the reporting period ended 30 September 2013, at the request of Fosse Bio Vendor, namely Fordnew Industrial Limited, Mr. Ong agreed to pay the third installment of the consideration amounting to HK$12,000,000 to the Fosse Bio Vendor given the progress of the clinical trial, and the Company has settled the third installment of the consideration amounting to HK$12,000,000 payable to the Fosse Bio Vendor upon taking instruction from Mr. Ong in November 2013.

13. Turnover and Segment Information

The Group's turnover comprises the following:

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Manufacturing of pharmaceutical products	**28,846**	34,767
Trading of pharmaceutical products	**40,766**	48,177
	69,612	82,944

13. Turnover and Segment Information (Continued)

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.

13. Turnover and Segment Information (Continued)

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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	(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	28,846	34,767	40,766	48,177	–	–	–	–	69,612	82,944
Segment results	2,891	2,777	5,938	9,986	1,555	(1,248)	(31)	(6)	10,353	11,509
Bank interest income									786	772
Net unallocated expenses									(3,885)	(2,822)
Gain on reclassification of an associate									3,086	–
Share of results of an associate									–	(2,142)
Finance costs									(2,090)	–
Profit before taxation									8,250	7,317
Taxation									(529)	(716)
Profit for the period									7,721	6,601
Attributable to:										
Equity holders of the Company									7,858	6,987
Non-controlling interests									(137)	(386)
									7,721	6,601

14. Profit before Taxation

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

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of sales	**47,405**	57,518
Depreciation and amortisation of property, plant and equipment and prepaid land lease payments	**1,645**	1,800
Amortisation of intangible assets (included in cost of sales)	**67**	151
Amortisation of investment properties	**29**	30
Increase in allowance for inventories	**1,153**	1,060
Impairment on trade receivables	**4,545**	5,250
Reversal of impairment on trade receivables	**(4,875)**	(6,865)
Gain on reclassification of an associate	**(3,086)**	—
Waiver of amount due to a non-controlling interest of a subsidiary*	**(2,000)**	—
Gain on disposal of property, plant and equipment*	**(8)**	—
Exchange gain, net	**(624)**	(22)
Bank interest income*	**(786)**	(772)
Loan interest income*	**(309)**	(167)
Rental income from investment properties*	**(111)**	(111)
Research and development expenses	**838**	644
Finance costs — imputed interests	**2,090**	—
Staff cost (including directors' emoluments)		
— Salaries, bonus and allowances	**12,227**	11,762
— Retirement benefits scheme contributions	**1,476**	1,639

* *Included in Other Revenues*

15. Taxation

Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the period ended 30 September 2013. Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Under the PRC Enterprise Income Tax Law, the tax rate of the PRC subsidiaries is 25%.

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 2013 and 2012.

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current — Hong Kong	**35**	35
Current — Outside Hong Kong	**487**	681
Under-provision in prior years — Outside Hong Kong	**7**	—
Total tax charge for the period	**529**	716

15. Taxation (Continued)

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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit before taxation	**8,250**	7,317
Tax at the statutory tax rates applicable to the respective tax jurisdictions	**1,119**	(41)
Tax effect of share of loss of an associate	**–**	529
Tax effect on income not taxable	**(1,660)**	(418)
Tax effect on expenses not deductible	**1,064**	648
Others	**6**	(2)
Tax charge for the period	**529**	716

16. Interim Dividends

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2013 (six months ended 30 September 2012: HK$Nil).

17. Earnings Per Share

The calculation of the basic earnings per share is based on the unaudited profit attributable to the equity holders of the Company for the six months ended 30 September 2013 of HK$7,858,000 (six months ended 30 September 2012: HK$6,987,000), and the weighted average of 2,321,147,541 ordinary shares (six months ended 30 September 2012: 2,290,000,000) in issue during the six months ended 30 September 2013.

The calculation of the diluted earnings per share is based on the unaudited profit attributable to the equity holders of the Company of HK$9,948,000 after adjusting the imputed interests of HK$2,090,000 on the convertible bonds, and the weighted average number of 3,247,121,567 ordinary shares after adjusting the effect on ordinary shares deemed to be issued if all dilutive potential ordinary shares have been converted into ordinary shares of the Company during the six months ended 30 September 2013. As there was no potential dilutive ordinary shares in existence for the period ended 30 September 2012, and accordingly no diluted earnings per share has been presented.

18. Contingent Liabilities

At 30 September 2013, 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$8.6 million (31 March 2013: HK$7.6 million) of the facilities had been utilised.

19. Commitments

(a) Commitment under operating lease

At 30 September 2013, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 September 2013 (Unaudited) HK$'000	At 31 March 2013 (Audited) HK$'000
Within one year	722	1,589

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.

(b) Capital commitments for property, plant and equipment

	At 30 September 2013 (Unaudited) HK$'000	At 31 March 2013 (Audited) HK$'000
Contracted but not provided for	59,054	82,985

Capital commitments relating to Changchun Extrawell's new factory premises will be primarily funded by the compensation as disclosed in note 5 and the Group's internal resources.

19. Commitments (Continued)

(c) Other commitments

(i) In connection with the acquisition of the interest in Fosse Bio as disclosed in note 3, the Group had a commitment to advance an interest-free loan to Fosse Bio Vendor and/or other shareholders of Fosse Bio to cover expenses relating to clinical trials of the Product.

On 25 May 2011, Smart Ascent, the then 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.

During the period under review, Fordnew did not make any drawdown and the unutilised balance available for Fordnew remained at HK$24,002,000 (31 March 2013: HK$24,002,000).

(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");

19. Commitments (Continued)

(c) Other commitments (Continued)

(ii) (Continued)

(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.

19. Commitments (Continued)

(c) Other commitments (Continued)

(ii) (Continued)

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.

19. Commitments (Continued)

(c) Other commitments (Continued)

(iii) Pursuant to clinical trial of the oral insulin project, Fosse Bio has entered into service contracts with 瀋陽鑫泰格爾醫藥科技開發有限公司 (the "Project Administrator") dated 16 December 2009 with value in total of RMB12,080,000 for provision of clinical trial management services and the related clinical studies.

As at 30 September 2013, RMB9,475,000 (31 March 2013: 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 2013: RMB2,605,000).

(d) Commitment on resumption of land

As disclosed in note 5, the Group has the following non-cancellable lease income with respect to the resumption of the land by 長春經濟技術開發區土地收購儲備中心:

	At 30 September 2013 (Unaudited) HK$'000	At 31 March 2013 (Audited) HK$'000
Within one year	**10,632**	21,125

20. 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 2013:

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

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Salaries, fees and other benefits	**1,405**	1,367
Pension scheme contributions	**7**	7
	1,412	1,374

(ii) On 23 February 2013, the Group's wholly owned subsidiary Extrawell (BVI) Limited ("EBVI") entered into a supplemental agreement (the "Supplemental Agreement") with Mr. Ong Cheng Heang ("Mr. Ong") to amend certain terms and conditions of a sale and purchase agreement dated 27 July 2007 in relation to the acquisition of 49% interest in Smart Ascent (the "Acquisition") at a consideration of HK$768,900,000, which would be satisfied by issuing 300,000,000 ordinary shares of the Company with nominal value of HK$0.01 at the issuing price of HK$2.563 each. Pursuant to the Supplemental Agreement, the consideration is revised to HK$660,000,000 and the settlement of which is revised to be satisfied by (i) cash payment of HK$18,700,000 and (ii) issuance of zero-coupon convertible bonds (the "Bonds") by the Company with principal amount in aggregate of HK$641,300,000 at the conversion price of HK$0.6413 for each new share of the Company, which, if fully converted, is equivalent to 1,000,000,000 new shares of the Company.

20. Connected and Related Party Transactions (Continued)

(ii) (Continued)

The Acquisition constitutes a major and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules. The Acquisition was approved at the Company's special general meeting held on 4 July 2013 and was completed on 16 July 2013.

Details regarding the Acquisition, the results of the special general meeting and the completion of the Acquisition are respectively disclosed in the Company's announcement dated 27 February 2013 and the circular dated 18 June 2013, and the Company's announcements dated 4 July 2013 and 16 July 2013.

(iii) During the period from 1 April 2013 and up to date of completion of the Acquisition as stated in (ii) above on 16 July 2013, EBVI advanced approximately HK$279,000 to Smart Ascent, and the then balance of advances amounted to approximately HK$16,473,000 (31 March 2013: HK$16,194,000). The then balances of advances were unsecured, non-interest bearing and repayable upon demand. Mr. Ong, the then non-controlling interest of Smart Ascent, was 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 concerned do not constitute connected transactions under the Listing Rules.

Management Discussion and Analysis

Business Review

Overall Performance

China's pharmaceutical industry has entered into a new era of development after ten years of rapid growth. The implementation of the Twelfth Five-Year Plan, which is focused on reinforcing the objective of developing an affordable and accessible healthcare system and infrastructure for the entire population, has accelerated the transformation of the industry, facilitating consolidation and technological innovation while promoting healthy competition in middle-to-longer term.

During the period under review, in response to multiple challenges arising from national policy changes and a series of measures implemented on drug tendering alongside the healthcare reforms, the Group had adjusted prices of certain self-manufactured products, aiming at securing market share and promoting its brand and product awareness for long-term benefits of the Group. In review of the pricing pressure, the Group puts more emphasis on cost control and rationalisation of production process to maintain operating efficiency. Through timely adjustments of strategies, strengthening of distribution channel development and continuous exploration of new markets in the third and fourth tier cities, the Group strives to maintain profitability in the midst of industry competition.

For the 6-month period ended 30 September 2013 (the "2013 Interim Period"), the Group's turnover recorded a decrease of about HK$13.3 million or 16% to about HK$69.6 million when compared to about HK$82.9 million in the 6-month period ended 30 September 2012 (the "2012 Interim Period"), as a result of product pricing adjustment in the manufactured pharmaceutical sector and the decrease in turnover of the imported pharmaceutical sector which is primarily attributable to change in delivery schedule of stock replenishment by certain customer in the first half of the financial year, of which corresponding sales increase would be reflected in the fourth quarter of 2013.

Gross profit decreased by about 12.7% from HK$25.4 million in the 2012 Interim Period to HK$22.2 million in the 2013 Interim Period, which primarily reflected the decrease in turnover. The slight improvement of gross margin from 30.7% in the 2012 Interim Period to 31.9% in the 2013 Interim Period was the result of curtailment on direct costs of sales.

The Group's administrative, selling and distribution expenses increased by about HK$0.96 million or 5.8% in the 2013 Interim Period which were mainly attributable to decrease in reversal of impairment on trade receivables which is non-cash in nature, and after excluding exchange gain, impairment adjustments of inventories and accounts receivables, were in aggregate of about HK$17.1 million (2012: HK$16.9 million), which were maintained at similar level as in the 2012 Interim Period.

The notable items impacting the results of the 2013 Interim Period included an accounting gain of about HK$3.1 million arising from reclassification of the Group's investments in an associate to available-for-sale investments and finance costs of about HK$2.1 million relating to the imputed interest expenses of zero coupon convertible bonds issued by the Company for acquisition of non-controlling interest in a subsidiary.

As a result, the Group's profit attributable to the equity holders of the Company was about HK$7.9 million, representing an increase of about 12% when compared to about HK$7.0 million in the 2012 Interim Period.

Imported Pharmaceutical Sector

Sales of imported pharmaceutical products decreased by approximately 15.4% to about HK$40.8 million when compared to HK$48.2 million in the 2012 Interim Period. This was primarily due to modification in delivery schedules of stock replenishment plan by one of the Group's major customers in the 2013 Interim Period, which would, however, record corresponding sales increase in the fourth quarter of 2013.

Although there had been a slight price reduction reacting to intensifying market competition, management was able to lower the operating costs by more effective utilisation of marketing and promotion resources. Notwithstanding segment profit reduced by about 41% from about HK$10 million to about HK$5.9 million due to decline in turnover in the 2013 Interim Period, sales and gross profit tend to indicate a growth trend in the second half of the financial year in which deliveries of a greater proportion of customers' orders are scheduled to be effected.

Management would continue exerting its greatest efforts in promoting sales and profitability by flexibly adopting various strategies in order to deliver better result in the second half of the financial year.

Manufactured Pharmaceutical Sector

Sales of self-manufactured pharmaceutical products decreased by approximately HK$5.9 million to HK$28.8 million, representing about 17% decrease from about HK$34.8 million in the 2012 Interim Period, which was mainly attributable to price reduction on products with a view to capturing market share, in the face of pricing pressure due to national policy and measures implemented on drug tendering across provinces during the period under review.

The impact of decrease in turnover was offset as management has taken measures to reduce direct costs attributable to the sales, leading to an overall improvement of gross margin by about 11%. With management's relentless effort in enhancing production efficiency to improve gross margin, coupled with stringent control over operating expenses, segment result was maintained at about HK$2.9 million, representing a slight increase of about 4% as compared to about HK$2.8 million in the 2012 Interim Period.

Additional human resources have been deployed to cope with relocation of the production facilities to Economic Development Zone of Jiu Tai, Changchun, the PRC by end of this year. The Group believes that the new production facilities would enable the Group to optimise its product portfolio to meet market demand, thus facilitating the Group's long-term growth.

Oral Insulin Sector

As the clinical trial is still in progress, no revenue was generated during this interim period. However, segment profit of HK$1,555,000 was recorded as a result of recognition of foreign exchange gain of HK$634,000 and write-off of the amount due to a then non-controlling interest of HK$2,000,000 upon completion of the acquisition of 49% interest held by the then non-controlling interest in Smart Ascent.

Gene Development Sector

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

Selling and Distribution Expenses

Selling and distribution expenses increased to about HK$4.4 million, representing an increase of about HK$1.1 million or 32% as compared to HK$3.3 million in the 2012 Interim Period. This was mainly a result of decrease in reversal of impairment on trade receivables of about HK$1.3 million which is non-cash in nature.

Administrative Expenses

Although the Group has been facing tremendous cost pressures on all fronts, management has persistently and relentlessly imposed cost containment activities across the Group's companies, which delivered results. During the period under review, administrative expenses were maintained at level of about HK$13 million as in the 2012 Interim Period.

Other Revenues

Other revenues increased by about HK$2.1 million from about HK$1.1 million in the 2012 Interim Period to about HK$3.2 million in the 2013 Interim Period. The increase was mainly due to the write-off of HK$2 million as due to a non-controlling interest of a subsidiary, namely Smart Ascent upon completion of acquisition of 49% non-controlling interest in Smart Ascent by the Group.

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 2013, the Group had total cash and bank balances (including pledged bank deposits of about HK$19,761,000 and settlement of HK$31,780,000 by a then non-controlling interest of a subsidiary) of about HK$173.3 million (31 March 2013: HK$156.2 million), representing an increase by approximately 11%.

The Group did not have bank borrowings as at 30 September 2013 (31 March 2013: HK$Nil) but had banking facilities on trade finance, which were supported by the pledge of the Group's fixed deposits of about HK$19.8 million (31 March 2013: HK$19.7 million) and corporate guarantees from the Company and certain subsidiaries of the Company. In general, there is no significant seasonality fluctuation on trade finance requirement of the Group.

The Group's total borrowing over total assets ratio as at 30 September 2013 was 0.04 (31 March 2013: 0.09), calculated based on the Group's total debts of about HK$48.3 million (31 March 2013: HK$63.2 million), comprising amounts due to non-controlling interests of subsidiaries of about HK$42.3 million (31 March 2013: HK$57.2 million) and loan from a non-controlling interest of about HK$6.0 million (31 March 2013: HK$6.0 million).

Foreign Exchange Exposure

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

Outlook

Whilst the pace of global recovery is subject to uncertainties and China's GDP growth softened to 7.6% in the first half of 2013, the Third Plenary Session of the 18th Communist Party of China Central Committee concluded with comprehensively deepening reform package reflecting directions of the central government's heightening support in bringing vitality to the economy and driving up GDP growth. China's pharmaceutical industry would continue to benefit from the government's increasing investment in the healthcare system. The accelerated aging population and continuing urbanisation coupled with people's increasing health awareness will further stimulate the explosion of medical needs and expand the pharmaceutical and healthcare industry.

Over the years, the Group has been placing utmost importance on the development of oral insulin which is anticipated to be a growth driver of the Group in light of China's rapidly growing diabetic population and fast growing diabetes drug market. Further still, the Group is allocating its best resources in expediting the progress of the extended clinical trial, aiming at delivering a promising result to capture the market opportunities.

Meanwhile, the Group is in a position to consolidate its manufacturing operations in Changchun to achieve economies of scale upon relocation of its production facilities by end of this year. With the advancement of production capability and capacity, the Group would reinforce its core competitiveness amidst the challenging environment, thereby fostering the sustainable development and growth of the Group.

Looking forward, the Group will continue to evaluate opportunities and investments with growth potentials and explore strategic collaboration with international enterprises in pursuit of synergy, with a view to enhancing the corporate value of the Group.

Employment and Remuneration Policy

As at 30 September 2013, the Group had 300 employees (30 September 2012: 290). Staff costs excluding directors' remuneration and included those charged in the cost of sales for the six months ended 30 September 2013 amounted to approximately HK$12.3 million (six months ended 30 September 2012: approximately HK$12.0 million).

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 existing share option scheme (the "Scheme") as adopted by the Company was approved by the shareholders of the Company at the annual general meeting held on 24 August 2012. The 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 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 2013, no share option was granted, exercised, cancelled or lapsed under the Scheme.

Corporate Governance

The Group recognises the importance of achieving and monitoring the high standard of corporate governance consistent with the need and requirements of its business and the best interest of all 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 Listing Rules throughout the six months ended 30 September 2013, except for certain deviations from Code Provisions (i) A.1.3 and A.7.1 (notice, agenda as well as accompanying board papers should be given to directors in a timely manner for committee's and board's meeting), (ii) A.4.1 (non-executive directors ("NEDs") should be appointed for a specific term), (iii) A.4.2 (all directors should be appointed for a specific term and subject to retirement by rotation, and directors appointed to fill a casual vacancy be subject to election at the first general meeting after appointment), and (iv) A.6.7 (independent non-executive directors ("INEDs") and other NEDs should attend general meetings) (Two INEDs could not attend the special general meeting of the Company held on 4 July 2013, and an INED could not attend the annual general meeting of the Company held on 26 August 2013, due to other business commitments). Details of deviations and considered reasons in relation thereof have been duly set out in the corporate governance report contained in the 2013 annual report of the Company published in July 2013.

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

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2013, the interests and short positions of the directors of the Company in the shares, underlying shares or debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Future Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code were as follows:

Long positions in the ordinary shares of the Company

Name of director	*Notes*	Capacity and nature of interest	Number of ordinary shares of HK$0.01 each held/ entitled	Approximate percentage of interest held/ entitled
Mao Yumin	*(a)*	Through controlled corporations	480,000,000	20.08%
	(b)	Directly beneficially owned	900,600,000	37.68%
	(c)		1,380,600,000	57.76%
Xie Yi	*(a)*	Through controlled corporations	480,000,000	20.08%

Notes:

(a) *JNJ Investments Ltd ("JNJ Investments") and Fudan Pharmaceutical Limited ("FDL") own 450,000,000 and 30,000,000 ordinary shares of the Company respectively. The entire issued share capital of each JNJ Investments and FPL is owned by Biowindow Gene Development (Hong Kong) Limited ("HK Biowindow"), and the entire issued share capital of HK Biowindow is owned by United Gene Group Limited (a company incorporated in British Virgin Islands) ("United Gene Group"). The issued share capital of United Gene Group is owned as to 33% by United Gene Holdings Limited (a company incorporated in British Virgin Islands) ("United Gene-BVI") and as to 33% by Ease Gold Investments Limited ("Ease Gold"). The issued share capital of United Gene-BVI and Ease Gold is wholly owned by Dr. Mao Yumin and Dr. Xie Yi respectively.*

(b) *In connection with notes (b) and (c) under the section "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares", where details of the interest of Dr. Mao Yumin ("Dr. Mao") in respect of the 900,000,000 Conversion Shares (as defined below) under the agreements entered into between Mr. Ong Cheng Heang ("Mr. Ong") and Dr. Mao dated 6 September 2011, 23 February 2013 and 28 February 2013 are disclosed.*

(c) *Details of transactions between JNJ Investments, Dr. Mao and United Gene High-Tech Group Limited ("United Gene"), a company incorporated in the Cayman Islands and continued in Bermuda whose shares are listed on the Stock Exchange are disclosed in note (d) under the section "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares".*

Save as disclosed above, as at 30 September 2013, none of the directors of the Company had registered an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares and Debentures

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

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

As at 30 September 2013, so far as is known to the directors of the Company, the following persons, other than a director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of substantial shareholder	*Notes*	**Capacity and nature of interest**	**Number of shares held/ entitled**	**Long (L) or Short (S) position**	**Approximate percentage of interest held**
Ease Gold	*(a)*	Through controlled corporations	480,000,000	L	20.08%
United Gene-BVI	*(a)*	Through controlled corporations	480,000,000	L	20.08%
United Gene Group	*(a)*	Through controlled corporations	480,000,000	L	20.08%
HK Biowindow	*(a)*	Through controlled corporations	480,000,000	L	20.08%
JNJ Investments	*(a)*	Through controlled corporations	450,000,000	L	18.83%
Ong Cheng Heang	*(b)* *(c)*	Directly beneficially owned	500,000,000 400,000,000	L S	20.92% 16.74%
United Gene	*(d)*	Directly beneficially owned	1,350,000,000	L	56.49%

Notes:

(a) *JNJ Investments and FPL own 450,000,000 and 30,000,000 ordinary shares of the Company, respectively. The entire issued share capital of each JNJ Investments and FPL is owned by HK Biowindow, and the issued share capital of HK Biowindow is owned by United Gene Group. The issued share capital of United Gene Group is owned as to 33% by United Gene-BVI and as to 33% by Ease Gold. The issued share capital of United Gene-BVI and Ease Gold is wholly owned by Dr. Mao Yumin and Dr. Xie Yi respectively.*

(b) *Among these 500,000,000 shares, (i) 100,000,000 shares represent shares issued by the Company on 5 August 2013 upon exercise by Mr. Ong Cheng Heang ("Mr. Ong") at the conversion price of the conversion rights attached to the bonds with principal amount of HK$64,130,000 as issued by the Company on 16 July 2013, and (ii) 400,000,000 shares represent the conversion shares to be allotted and issued to Mr. Ong (the "Conversion Shares") upon exercise in full by Mr. Ong at the conversion price of the conversion rights attached to the bonds with principal amount of HK$256,520,000 as issued by the Company on 16 July 2013.*

(c) *As disclosed in the Company's voluntary announcement dated 1 March 2013, on 28 February 2013, Mr. Ong and Dr. Mao entered into a subscription agreement ("Call Option Agreement") in relation to a call option granted by Mr. Ong to Dr. Mao pursuant to which Dr. Mao shall have the right, within 12 months after the date of receipt by Mr. Ong of his interests in the bonds to be issued by the Company, to acquire from Mr. Ong the bonds up to the principal amount of HK$256,520,000, which upon exercise of the conversion rights attached to the bonds, would amount to 400,000,000 Conversion Shares.*

(d) *Among these 1,350,000,000 shares, (i) 450,000,000 shares represent the shares to be transferred from JNJ Investments to United Gene pursuant to the sale and purchase agreement entered into between Dr. Mao, JNJ Investments and United Gene on 27 April 2013 ("UG SP Agreement"); (ii) 500,000,000 shares represent the Conversion Shares to be allotted and issued to United Gene upon exercise in full by United Gene at the conversion price of the conversion rights attached to the bonds issued to Dr. Mao pursuant to the Company's acquisition of 49% non-controlling interest in Smart Ascent (the "Acquisition") and to be transferred to United Gene pursuant to the UG SP Agreement; and (iii) 400,000,000 shares represent the Conversion Shares to be allotted and issued to United Gene upon exercise of the conversion rights attached to the bonds to be issued to Mr. Ong pursuant to the Acquisition and to be transferred to Dr. Mao pursuant to the Call Option Agreement and to be transferred to Untied Gene pursuant to the UG SP Agreement.*

Save as disclosed above, as at 30 September 2013, no person, other than certain directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Purchase, Redemption or Sale of Listed Securities

During the six months ended 30 September 2013, 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 2013, and was content that the accounting principles and practices adopted by the Group were in conformity with the current practices in Hong Kong.

Remuneration Committee

The Remuneration Committee, which comprises three INEDs and Dr. Xie Yi, an executive director, was formed with terms of reference in compliance with Code Provision B.1.2 to oversee the remuneration policies of the Group during the six months ended 30 September 2013.

Nomination Committee

The Nomination Committee, which comprises Dr. Mao Yumin, the Chairman of the Board and three INEDs, was formed with terms of reference in compliance with Code Provision A.5.2 to formulate and implement the policy for nominating candidates for election by shareholders, and to assess the independence of non-executive directors.

By Order of the Board
Extrawell Pharmaceutical Holdings Limited
Mao Yumin
Chairman

Hong Kong, 29 November 2013

Corporate Information

Board of Directors

(As at the date of this interim report on 29 November 2013)

Executive Directors

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

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Mr. LIU Kwok Wah

Hong Kong Legal Advisers

Chiu & Partners Solicitors

Independent Auditors

East Asia Sentinel Limited
Certified Public Accountants

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong

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

Principal Bankers

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Website

http://www.extrawell.com.hk

Stock Code

The Stock Exchange of Hong Kong Limited: 00858