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 2014

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 2014 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 30 September 2014 (Unaudited) *HK$'000***	At 31 March 2014 (Audited) *HK$'000*
Non-Current Assets			
Investment properties		**1,645**	1,674
Property, plant and equipment		**170,761**	172,978
Prepaid land lease payments		**10,751**	10,873
Intangible assets	*3,6*	**1,807**	286,067
Investment in convertible bonds		**556,324**	—
Available-for-sale investments		**—**	—
Interest in an associate		**401,802**	—
Amounts due from non-controlling interests	*6*	**—**	5,267
Amounts due from former non-controlling interests	*6*	**—**	1,691
Loan to a non-controlling interest	*6*	**—**	7,790
		1,143,090	486,340
Current Assets			
Inventories		**10,208**	9,225
Trade receivables	*4*	**66,339**	69,554
Deposits, prepayments and other receivables	*6*	**11,699**	31,712
Pledged bank deposits		**19,904**	19,819
Cash and cash equivalents		**162,250**	103,696
		270,400	234,006
Total Assets		**1,413,490**	720,346

	Note	At 30 September 2014 (Unaudited) HK$'000	At 31 March 2014 (Audited) HK$'000
Capital and Reserves			
Share capital		**23,900**	23,900
Reserves		**1,142,158**	304,396
Equity attributable to Equity Holders of the Company		**1,166,058**	328,296
Non-controlling interests		**7,426**	136,502
Total Equity		**1,173,484**	464,798
Non-Current Liabilities			
Amounts due to non-controlling interests	*6*	**—**	7,736
Amounts due to former non-controlling interests	*6*	**—**	2,514
Loan from a non-controlling interest	*6*	**—**	7,520
Deferred tax liabilities		**102**	102
Convertible bonds		**125,907**	121,078
		126,009	138,950
Current Liabilities			
Trade and bills payables	*5*	**13,177**	13,036
Accruals and other payables		**66,386**	67,990
Amounts due to non-controlling interests	*6*	**—**	20,674
Amount due to an associate		**19,780**	—
Tax payable		**14,654**	14,898
		113,997	116,598
Total Equity and Liabilities		**1,413,490**	720,346
Net Current Assets		**156,403**	117,408
Total Assets Less Current Liabilities		**1,299,493**	603,748

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the six months ended 30 September 2014 (Unaudited) HK$'000	2013 (Unaudited) Restated HK$'000
Turnover	7	**74,308**	69,612
Cost of sales		**(59,846)**	(47,405)
Gross profit		**14,462**	22,207
Other revenues		**549**	3,214
Other gains and losses, net	9	**247,539**	—
Selling and distribution expenses		**(13,226)**	(4,364)
Administrative expenses		**(14,835)**	(12,965)
Research and development expenses		**(4,697)**	(838)
Share of results of an associate		**(134)**	—
Profit from operations		**229,658**	7,254
Finance income		**7,807**	—
Finance cost		**(4,829)**	(2,090)
Finance income/(cost), net		**2,978**	(2,090)
Profit before taxation	8	**232,636**	5,164
Taxation	10	**(55)**	(529)
Profit for the period		**232,581**	4,635
Total comprehensive income for the period		**232,581**	4,635
Profit for the period attributable to			
Equity holders of the Company		**239,415**	4,772
Non-controlling interests		**(6,834)**	(137)
		232,581	4,635

	Note	For the six months ended 30 September	
		2014	2013
		(Unaudited)	(Unaudited)
			Restated
	Note	***HK$'000***	*HK$'000*
Total comprehensive income for the period attributable to			
Equity holders of the Company		**239,415**	4,772
Non-controlling interests		**(6,834)**	(137)
		232,581	4,635
Interim dividends	*11*	**—**	—
Earnings per share for profit attributable to equity holders of the Company during the period	*12*	***HK cents***	*HK cents*
— Basic		**10.02**	0.21
— Diluted		**7.42**	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Extrawell Pharmaceutical Holdings Limited 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 Suites 2206–08, 22/F, Devon House, Taikoo Place, 979 King's Road, Quarry Bay, 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 28 November 2014.

Key events

On 17 March 2014, Extrawell (BVI) Limited ("EBVI"), a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement with Clear Rich International Limited ("Clear Rich") in connection with the proposed disposal (the "Disposal") of the 5,100 shares in Smart Ascent Limited ("Smart Ascent"), the holding company of the Group's oral insulin operations at a consideration of HK$780,000,000 (the "Disposal Agreement"). Clear Rich is a wholly owned subsidiary of United Gene High-Tech Group Limited ("United Gene"), the shares of which are listed on the Stock Exchange.

The Disposal was approved by the Company's independent shareholders at the special general meeting held on 15 July 2014, and completion of the Disposal took place on 28 July 2014 in accordance with the terms and conditions of the Disposal Agreement.

Details regarding the Disposal are disclosed in the joint announcements of the Company and United Gene dated 18 and 19 March 2014, and 17 and 28 July 2014, the Company's circular dated 27 June 2014 and its announcement on 15 July 2014.

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").

This condensed consolidated interim financial information should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2014 (the "2014 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 2014 Audited Financial Statements but in the current interim period are set out as below:

Investment in Convertible Bonds

The component parts of the convertible instruments are classified separately as debt component and conversion option derivative.

At the date of acquisition of investment in convertible bonds, the debt and conversion option derivative components are recognized at fair value. In subsequent periods, the debt component is carried at amortized cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognized in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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.

3. EMPHASIS OF SIGNIFICANT MATTER — 2014 AUDITED FINANCIAL STATEMENTS

In the 2014 Audited Financial Statements, an emphasis of significant matter paragraph was included in the Independent Auditors' Report in relation to the Group's intangible assets, which is now reproduced as below:

"Included in Intangible Assets as at 31 March 2014 is the technological know-how with the carrying value of approximately HK$284,260,000 (2013: HK$284,260,000) (the "Know-how") in relation to an oral insulin product (the "Product") and the exclusive right for the commercialization 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"). The Group had completed the acquisition of the remaining 49% interest in Smart Ascent in July 2013. Smart Ascent has been a wholly owned subsidiary of the Group since then. 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 2014. 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.

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 asset as mentioned in the above paragraph has been adequately disclosed in the consolidated financial statements. Our opinion is not qualified in respect of this matter."

4. 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 minimize credit risk. Overdue balances are reviewed regularly by senior management.

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

	At 30 September 2014 (Unaudited) *HK$'000*	At 31 March 2014 (Audited) *HK$'000*
Within 90 days	**11,747**	31,238
Between 91 to 180 days	**42,820**	30,219
Between 181 to 365 days	**11,772**	8,097
	66,339	69,554

5. TRADE AND BILLS PAYABLES

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

	At 30 September 2014 (Unaudited) *HK$'000*	At 31 March 2014 (Audited) *HK$'000*
Within 90 days	**7,451**	10,326
Between 91 to 180 days	**4,858**	2,640
Between 181 to 365 days	**78**	8
Between 1 to 2 years	**267**	15
Over 2 years	**523**	47
	13,177	13,036

6. INTANGIBLE ASSETS, AMOUNTS DUE FROM/DUE TO NON-CONTROLLING INTERESTS, AMOUNTS DUE FROM/DUE TO FORMER NON-CONTROLLING INTERESTS, LOAN TO/FROM A NON-CONTROLLING INTEREST, AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Movements during the period under review mainly represent the deconsolidation of assets and liabilities of Smart Ascent Group as disclosed in Note 9.

7. TURNOVER AND SEGMENT INFORMATION

The Group's turnover comprises the following:

	For the six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Manufacturing of pharmaceutical products	**16,307**	28,846
Trading of pharmaceutical products	**58,001**	40,766
	74,308	69,612

Detailed segment information is presented by way of the Group's primary segment reporting basis, which is by business segment. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in the People's Republic of China (the "PRC"), and over 90% of the Group's assets and capital expenditures are located in the PRC.

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

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

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

(c) the oral insulin segment engages in the development and commercialization of oral insulin products; and

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

The following table provides 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**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
										Restated
	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	**16,307**	28,846	**58,001**	40,766	**—**	—	**—**	—	**74,308**	69,612
Segment results	**(18,153)**	2,891	**8,355**	5,938	**(4,323)**	1,555	**(31)**	(31)	**(14,152)**	10,353
Bank interest income									**425**	786
Net unallocated expenses									**(4,020)**	(3,885)
Unallocated other gains and losses, net									**247,539**	—
Share of results of an associate*									**(134)**	—
Finance income									**7,807**	—
Finance cost									**(4,829)**	(2,090)
Profit before taxation									**232,636**	5,164
Taxation									**(55)**	(529)
Profit for the period									**232,581**	4,635
Attributable to:										
Equity holders of the Company									**239,415**	4,772
Non-controlling interests									**(6,834)**	(137)
									232,581	4,635

* *Results of oral insulin segment (i.e. Smart Ascent Group) were consolidated into the Company's consolidated financial statements for the period from 1 April 2014 to the date of disposal of the Group's 51% equity interest in Smart Ascent on 28 July 2014, and the results of which thereafter and up to 30 September 2014 has been accounted for by using equity method.*

8. PROFIT BEFORE TAXATION

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

	For the six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of sales	**59,846**	47,405
Depreciation and amortization of property, plant and equipment and prepaid land lease payments	**2,582**	1,645
Amortization of intangible assets (included in cost of sales)	**—**	67
Amortization of investment properties	**29**	29
Increase in allowance for inventories	**1,366**	1,153
Impairment on trade receivables	**13,691**	4,545
Reversal of impairment on trade receivables	**(5,427)**	(4,875)
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	**(215)**	(624)
Bank interest income*	**(425)**	(786)
Loan interest income*	**—**	(309)
Rental income from investment properties*	**(111)**	(111)
Research and development expenses	**4,697**	838
Finance income#	**(7,807)**	—
Finance cost — imputed interests	**4,829**	2,090
Staff cost (including directors' emoluments)		
— Salaries, bonus and allowances	**11,168**	12,227
— Retirement benefits scheme contributions	**1,584**	1,476
	12,752	13,703
Less: Amount included in "Deposits, prepayments and other receivables" and to be capitalized upon completion of certification work	**(1,289)**	—
	11,463	13,703

* *Included in Other Revenues*

\# *Effective interest income from Investment in Convertible Bonds*

9. OTHER GAINS AND LOSSES, NET

	For the six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Gain on disposal of subsidiaries, net*	**303,514**	—
Change in fair value of derivative component of investment in convertible bonds	**(55,975)**	—
	247,539	—

* *This represents gain on disposal of the Group's 51% equity interest in Smart Ascent (together with its subsidiaries, the "Smart Ascent Group") as completed on 28 July 2014. Details of the net assets disposed of and gain on disposal are as follows:*

	HK$'000
Net assets disposed of:	
Intangible assets	284,260
Amounts due from non-controlling interests	5,522
Amounts due from former non-controlling interests	1,691
Loan to a non-controlling interest	10,849
Deposits, prepayments and other receivables	13,624
Cash and cash equivalents	354
Accruals and other payables	(3,300)
Amounts due to non-controlling interests	(28,664)
Amount due to the holding company, net	(22,161)
Amounts due to former non-controlling interests	(2,514)
Loan from a non-controlling interest	(10,579)
Non-controlling interests	(122,242)
Net assets	126,840
Gain on disposal:	
Cash received	65,000
Convertible bonds received	715,000
Total consideration received	780,000
Fair value of 49% retained equity interest in Smart Ascent Group	359,989
Release of premium as recorded in equity in relation to the Group's acquisition of additional interest in Smart Ascent in July 2013	(598,347)
Net assets disposed of	(126,840)
Direct cost for disposal	(780)

	HK$'000
Gain on disposal	414,022
Less: Loss on initial recognition of convertible bonds received	(110,508)
Gain on disposal, net	303,514
Net cash inflow arising on disposal:	
Cash consideration received	65,000
Less: Cash and cash equivalents	(354)
Direct cost for disposal	(780)
	63,866

10. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the period ended 30 September 2014. 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 2014 and 2013.

	For the six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong	**30**	35
Current — Outside Hong Kong	**25**	487
Under-provision in prior years — Outside Hong Kong	**—**	7
Total tax charge for the period	**55**	529

11. INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2014 (six months ended 30 September 2013: HK$Nil).

12. 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 2014 of HK$239,415,000 (six months ended 30 September 2013 (restated): HK$4,772,000), and 2,390,000,000 ordinary shares (six months ended 30 September 2013: weighted average of 2,321,147,541 ordinary shares) in issue during the six months ended 30 September 2014.

The calculation of the diluted earnings per share is based on the unaudited profit attributable to the equity holders of the Company of HK$244,244,000 after adjusting the imputed interests of HK$4,829,000 on the convertible bonds, and the weighted average number of 3,290,000,000 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 2014. No diluted earnings per share for the six months ended 30 September 2013 (restated) was presented as the exercise of the outstanding convertible bonds issued by the Company in July 2013 would result in an increase in earnings per share (i.e. anti-dilutive).

13. COMPARATIVE FIGURES

In the 2014 Audited Financial Statements, accounting treatment of the following two items differ from those used in preparation of the Group's unaudited financial statements for the six months ended 30 September 2013 ("2013 Interim Report"):

(i) the reclassification of the Group's investments in 龍脈(上海)健康管理服務有限公司 ("Shanghai Longmark") from "Interest in an associate" to "Available-for-sale investments" was at its fair value other than cost, which gave rise to an accounting gain of HK$3,086,000 as shown in the 2013 Interim Report, and

(ii) premium of HK$598,347,000 arising on acquisition of 49% equity interest in Smart Ascent by the Group in July 2013 was recorded in equity other than goodwill as shown in the 2013 Interim Report, and the details in connection thereof were disclosed in the Company's announcement dated 12 June 2014.

As a result of the above, the comparative figures and the related notes to the 2013 Interim Report have been restated for the purpose of this condensed consolidated interim financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overall Performance

In the period under review, China's economic growth slowed down from 7.5% in the second quarter to 7.3% in the third quarter of year 2014. However, China's pharmaceutical industry maintained a growth momentum though at a slower pace. Under the influence of deepening healthcare reform policies by the central government, the introduction of a series of comprehensive policies to regulate drug sales, control of medical insurance amount and tendering methods of public hospitals across provinces had created tensions and uncertainties to the market development while persistent support and constant expansion in healthcare spending by the central government facilitate sustainable development of the pharmaceutical market in the PRC.

In response to challenges and opportunities arising from the complex policy environment and intensified competition, the Group continued to stay with its policies in optimizing costs, enhancing operational efficiency and adjusting its marketing strategies.

For the six months ended 30 September 2014 (the "2014 Interim Period"), the Group's turnover and gross profit were about HK$74.3 million and HK$14.5 million as compared to the six months ended 30 September 2013 (the "2013 Interim Period") of about HK$69.6 million and HK$22.2 million, representing an increase of about HK$4.7 million or 6.7% in turnover and a decrease of about HK$7.7 million or 34.9% in gross profit. The increased sales of imported products surpassed lower sales of self-manufactured products since the Group's new factory in Changchun, the PRC was undertaking GMP compliance works. Such temporary disruption gave rise to the low volumes of sales and production in manufactured pharmaceutical sector and caused a dip in gross profit. The Group expects that GMP certification for all product lines will be completed by end of year 2014 and full operation will be resumed in early 2015 to deliver better results.

The Group's administrative, selling and distribution expenses increased by about HK$10.7 million or 61.9% in the 2014 Interim Period when compared to the 2013 Interim Period, which were mainly the result of increase in impairment provision on trade receivables of about HK$8.6 million and amortization and depreciation charges of HK$0.9 million largely relating to Changchun new factory.

The Group's profit attributable to the equity holders of the Company rose significantly to about HK$239.4 million when compared to about HK$4.8 million (restated) in the 2013 Interim Period, which is primarily attributable to a gain on disposal of HK$303.5 million (net of loss on initial recognition of investment in convertible bonds of HK$110.5 million) of the Group's 51% equity interest in a subsidiary Smart Ascent as completed in July 2014 and decrease in fair value of about HK$56.0 million of the Group's investment in convertible bonds.

Imported Pharmaceutical Sector

Sales of imported pharmaceutical products increased by 42.3% to about HK$58.0 million when compared to about HK$40.8 million in the 2013 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 2014 Interim Period, which was expected to record corresponding sales decrease from that customer in the second half of the financial year. Nevertheless, management is stepping up efforts in increasing sales by promoting its products awareness and will strive for achieving better results.

Gross margin slightly decreased as compared to the 2013 Interim Period as a result of sales mix, and increase in direct cost of sales. By adopting flexible marketing strategies, management was able to maintain operating costs at similar level as in the 2013 Interim Period. The increase of segment profit to about HK$8.4 million as compared to HK$5.9 million in the 2013 Interim Period was mainly contributed by increased sales.

Manufactured Pharmaceutical Sector

In the period under review, the new factory in Changchun was undergoing GMP certification works and normal production was not yet resumed. As a result, sales of self-manufactured pharmaceutical products decreased by about HK$12.5 million to HK$16.3 million, representing 43.5% decrease from about HK$28.8 million in the 2013 Interim Period.

Segment results recorded loss of about HK$18.2 million, a significant decrease by HK$21.0 million when compared to profit of HK$2.9 million in the 2013 Interim Period. The decrease was mainly due to (i) decline in sales contribution of about HK$12.5 million, (ii) increase in amortization and depreciation charges of about HK$0.9 million for the Changchun new factory, and (iii) increase in impairment provision of about HK$8.6 million for trade receivables arising from adjustment in marketing strategy to boost sales in order to shorten customers' collection period but unexpectedly led to slower settlement and increase in past-due accounts in accordance with the Group's accounting policies as previously disclosed in the 2014 Audited Financial Statements. Management has been taking measures to adjust its marketing strategy, effect of which is expected to be reflected in the second half of the financial year.

The Group had deployed resources to GMP certification works with the aim to obtaining approval for all its product lines by end of year 2014 and to resuming full operation in earlier year 2015. Despite the temporary disruption to its production during the GMP certification process, the Group believes that the new production facilities would enable the Group to better rationalize and re-engineer its production process and optimize its product portfolio to meet market demand, thus enhancing its core competitiveness and facilitating the Group's long-term growth.

Oral Insulin Sector

As the clinical trial is still in progress, no revenue was generated for the period from 1 April 2014 and up to the date of Disposal on 28 July 2014 by the Group to United Gene. The increase in loss for the period concerned was mainly due to more research and development expenses recognized for the clinical trial. Segment profits as reported in the 2013 Interim Period related to one-off items comprising waiver of amount due to the then non-controlling interest of HK$2 million.

Gene Development Sector

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

Selling and Distribution Expenses

When excluding the impact of increase in impairment provision as explained under Manufactured Pharmaceutical Sector of about HK$8.6 million, selling and distribution expenses increased slightly to about HK$4.6 million as compared to HK$4.4 million in the 2013 Interim Period.

Administrative Expenses

Administrative expenses increased to about HK$14.8 million, representing an increase of about HK$1.9 million when compared to HK$13.0 million in the 2013 Interim Period. However, when taking into account of increase in amortization and depreciation charges of Changchun new factory of about HK$0.9 million and decrease in exchange gain of HK$0.4 million, administrative expenses were maintained at similar level as in the 2013 Interim Period.

Other Revenues

Other revenues decreased by about HK$2.7 million from HK$3.2 million in the 2013 Interim Period to HK$0.5 million in the 2014 Interim Period. The decrease was mainly due to decrease in bank and loan interest income in aggregate of about HK$0.7 million and the one-off item recorded in the 2013 Interim Period in relation to waiver of amount due to a non-controlling interest of a subsidiary of HK$2 million.

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 2014, the Group had total cash and bank balances (including pledged bank deposits of HK$19.9 million) of HK$182.2 million (31 March 2014: HK$123.5 million), representing an increase by approximately 47.5%.

The Group did not have bank borrowings as at 30 September 2014 (31 March 2014: HK$Nil) but had banking facilities on trade finance, which were supported by the pledge of the Group's fixed deposits of about HK$19.9 million (31 March 2014: HK$19.8 million) and corporate guarantees from the Company and certain subsidiaries of the Company. In general, there is no significant seasonality fluctuation on trade finance requirement of the Group.

The Group's total borrowing over total assets ratio as at 30 September 2014 was 0.10 (31 March 2014: 0.22), calculated based on the Group's total assets of HK$1,413.5 million (31 March 2014: HK$720.3 million) and total debts of about HK$145.7 million (31 March 2014: HK$159.5 million), comprising convertible bonds of HK$125.9 million (31 March 2014: HK$121.1 million), amounts due to present and former non-controlling interests of subsidiaries of HK$Nil (31 March 2014: HK$30.9 million), loan from a non-controlling interest of HK$Nil (31 March 2014: HK$7.5 million) and amount due to an associate of HK$19.8 million (31 March 2014: HK$Nil).

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

Looking forward, deepening policies of healthcare reforms on all fronts adhering to the principle of "increased accessibility and affordability" to China's entire population will be continuously promulgated and implemented by the central government. These will inevitably dictate the market development and exert pressures on pricing and cost to pharmaceutical enterprises while providing competitive landscape for the sustainable development of the pharmaceutical industry in the longer term.

The Group remains cautiously optimistic and confident with its future development as backed-up by the attainment of strategic initiatives to build a new GMP compliant factory in Changchun, the PRC. By leveraging the enhanced production capacity and capability of the new factory, the Group is well-positioned to put more resources in its own product research and development with a view to enhancing the long-term competitiveness of its products for future growth and development.

Upon the completion of the disposal of 51% equity interest in Smart Ascent in July 2014, United Gene has become a strategic partner in the development of the oral insulin project in addition to being a strategic investor in the Company. The cash payment received as part of the consideration of the said disposal and the interest receivable on the convertible bonds from United Gene enhance the financial resources the Group may deploy to the Group's other existing pharmaceutical business to improve their performances and the Group may benefit from the enhancement of the investment value of 49% equity interest in Smart Ascent as retained and held by the Group.

In the meantime, the Group will continue to evaluate opportunities and investments with growth potentials which are in line with the Group's existing business and could foster a long-term development of the Group, and explore strategic collaboration with international enterprises and business partners in pursuit of synergy, with a view to enhancing the corporate value of the Group.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2014, the Group had 305 employees (30 September 2013: 300). Staff costs excluding directors' remuneration and included those charged in the cost of sales for the six months ended 30 September 2014 amounted to approximately HK$9.2 million (six months ended 30 September 2013: approximately HK$12.3 million). The decrease mainly related to the shrinkage of sales rewards to marketing staff of manufactured pharmaceutical sector as a result of low turnover and transfer of direct staff costs of GMP certification works for capitalization.

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 2014, no share option has been granted under the Scheme.

CORPORATE GOVERNANCE

The Group recognizes the importance of achieving and monitoring the high standard of corporate governance consistent with the need and requirements of its business and the best interest of all 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 2014, 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.2.1 (the roles of chairman and chief executive officer should be separate and should not be performed by the same person), (iii) A.4.1 (non-executive directors ("NEDs") should be appointed for a specific term), (iv) 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 (v) A.6.7 (independent non-executive directors ("INEDs") and other NEDs should attend general meetings) (One INED could not attend the special general meeting of the Company held on 15 July 2014, and all INEDs could not attend the annual general meeting of the Company held on 29 August 2014, due to other business commitments). Details of deviations and considered reasons in relation thereof have been duly set out in the corporate governance report contained in the 2014 annual report of the Company published in July 2014.

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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2014, 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 2014, 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
Xie Yi
Chairman

Hong Kong, 28 November 2014

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

* *For identification purpose only*