



Extrawell Pharmaceutical Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock code: 858



2014/15
Interim Report

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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	3,8	1,807	286,067
Investment in convertible bonds	4	556,324	—
Available-for-sale investments		—	—
Interest in an associate	5	401,802	—
Amounts due from non-controlling interests	8	—	5,267
Amounts due from former non-controlling interests	8	—	1,691
Loan to a non-controlling interest	8	—	7,790
		1,143,090	486,340
Current Assets			
Inventories		10,208	9,225
Trade receivables	6	66,339	69,554
Deposits, prepayments and other receivables	8	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

	<i>Note</i>	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	8	—	7,736
Amounts due to former non-controlling interests	8	—	2,514
Loan from a non-controlling interest	8	—	7,520
Deferred tax liabilities		102	102
Convertible bonds		125,907	121,078
		126,009	138,950
Current Liabilities			
Trade and bills payables	7	13,177	13,036
Accruals and other payables		66,386	67,990
Amounts due to non-controlling interests	8	—	20,674
Amount due to an associate	5	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

		For the six months ended 30 September	
		2014 (Unaudited)	2013 (Unaudited)
		HK\$'000	Restated HK\$'000
	Note		
Turnover	9	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	11	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	5	(134)	—
Profit from operations		229,658	7,254
Finance income	4	7,807	—
Finance cost		(4,829)	(2,090)
Finance income/(cost), net		2,978	(2,090)
Profit before taxation	10	232,636	5,164
Taxation	12	(55)	(529)
Profit for the period		232,581	4,635
Total comprehensive income for the period		232,581	4,635

		For the six months ended 30 September	
		2014 (Unaudited)	2013 (Unaudited) Restated
		HK\$'000	HK\$'000
	<i>Note</i>		
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
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	13	—	—
Earnings per share for profit attributable to equity holders of the Company during the period			
— Basic	14	HK cents 10.02	HK cents 0.21
— Diluted		7.42	N/A

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company										
	Share capital	Share premium	Capital reserve	Contributed surplus	Foreign currency translation reserve	Other reserve (Note 19)	Equity component convertible bonds	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013 (Audited)	22,900	133,717	6,542	4,839	36,176	—	—	180,173	384,347	198,945	583,292
Comprehensive income											
Profit for the period (Unaudited, Restated)	—	—	—	—	—	—	—	4,772	4,772	(137)	4,635
Total comprehensive income	—	—	—	—	—	—	—	4,772	4,772	(137)	4,635
Recognition of equity component of convertible bonds	—	—	—	—	—	—	514,362	—	514,362	—	514,362
Conversion of convertible bonds	1,000	63,189	—	—	—	—	(51,436)	—	12,753	—	12,753
Acquisition of non-controlling interest in a subsidiary	—	—	—	—	—	(598,347)	—	—	(598,347)	(62,971)	(661,318)
At 30 September 2013 (Unaudited)	23,900	196,906	6,542	4,839	36,176	(598,347)	462,926	184,945	317,887	135,837	453,724
At 1 April 2014 (Audited)	23,900	196,906	6,542	4,839	35,657	(598,347)	462,926	195,873	328,296	136,502	464,798
Comprehensive income											
Profit for the period (Unaudited)	—	—	—	—	—	—	—	239,415	239,415	(6,834)	232,581
Total comprehensive income	—	—	—	—	—	—	—	239,415	239,415	(6,834)	232,581
Release upon disposal (Note 11)	—	—	—	—	—	598,347	—	—	598,347	(122,242)	476,105
At 30 September 2014 (Unaudited)	23,900	196,906	6,542	4,839	35,657	—	462,926	435,288	1,166,058	7,426	1,173,484

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net Cash (Used in) Operating Activities	(5,403)	(3,639)
Net Cash Generated from Investing Activities	63,957	1,762
Net Cash Generated from Financing Activities	—	18,992
Increase in Cash and Cash Equivalents	58,554	17,115
Cash and cash equivalents at the beginning of the period	103,696	136,450
Cash and Cash Equivalents at the End of the Period	162,250	153,565
Analysis of the Cash and Cash Equivalents		
Bank and cash balances	162,250	153,565



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 which constituted a major and connected transaction for the Company under Chapters 14 and 14A of the Rules Governing the Listing of Securities on the Stock Exchange, 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.



2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

3. EMPHASIS OF SIGNIFICANT MATTER — 2014 AUDITED FINANCIAL STATEMENTS (CONTINUED)

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. INVESTMENT IN CONVERTIBLE BONDS

On 28 July 2014, the Group completed the disposal of 5,100 shares in Smart Ascent to Clear Rich and received settlement of consideration in full of HK\$780,000,000, comprising (i) cash payment of HK\$65,000,000 and (ii) convertible bonds issued on 28 July 2014 by United Gene with principal amount of HK\$715,000,000 (the “Bonds”).

The Bonds bear interest at 3.5% per annum payable in arrears annually with maturity on the 7th anniversary of the date of issue of the Bonds (the “Maturity Date”). The Group has the right to convert the Bonds into shares of United Gene at any time from the date of issue to the Maturity Date at an initial conversion price of HK\$2.5 per share.

4. INVESTMENT IN CONVERTIBLE BONDS (CONTINUED)

The fair values of the Bonds at the date of initial recognition on 28 July 2014 and at the reporting period ended date on 30 September 2014 are determined based on the valuation conducted by an independent professional valuer. The methods and assumptions applied for the valuation of the Bonds and its components are set out as below:

	Debt component <i>(Note (a))</i> HK\$'000	Derivative component <i>(Note (b))</i> HK\$'000	Total HK\$'000
At issue date — 28 July 2014	547,034	167,966	715,000
Fair value loss on initial recognition <i>(Note 11)</i>	—	(110,508)	(110,508)
Fair value on initial recognition	547,034	57,458	604,492
Accretion of interest	7,807	—	7,807
Change in fair value <i>(Note 11)</i>	—	(55,975)	(55,975)
At 30 September 2014	554,841	1,483	556,324

Notes:

- (a) *The fair value of debt component of the Bonds on initial recognition is calculated based on the present value of contractually determined stream of future cash flows discounted at an appropriate rate which reflects the credit risk of the Bonds issuer and maturity term. The effective interest rate is 8.014%.*

4. INVESTMENT IN CONVERTIBLE BONDS (CONTINUED)

Notes: (continued)

- (b) Derivative component is measured at the fair value using Binomial Model at the date of initial recognition on 28 July 2014 and at the reporting period ended date on 30 September 2014. The inputs into the model at the respective dates are as follows:

	28 July 2014	30 September 2014
Stock price	HK\$1.27	HK\$1.20
Conversion price	HK\$2.50	HK\$2.50
Volatility	114.087%	79.997%
Dividend yield	0%	0%
Option life	7 years	6.82 years
Risk free rate	1.636%	1.729%

5. INTEREST IN AN ASSOCIATE

	Notes	HK\$'000
At 1 April 2014		—
Fair value of 49% retained equity interest in Smart Ascent	(a)	359,989
Amount due from an associate (non-current portion)	(b)	41,947
		401,936
Share of results		(134)
At 30 September 2014		401,802
Amount due to an associate (current portion)	(c)	19,780

5. INTEREST IN AN ASSOCIATE (CONTINUED)

Notes:

- (a) This represents the 49% equity interest in Smart Ascent as retained by the Group upon completion of the Disposal on 28 July 2014, and the fair value of which is determined by the directors with reference to its carrying amount and valuation conducted by an independent professional valuer.

On completion of the Disposal, Smart Ascent ceased to be a subsidiary of the Company and the assets, liabilities and financial results of Smart Ascent and its subsidiaries ("Smart Ascent Group") were no longer consolidated into the Company's consolidated financial statements. Details of Smart Ascent Group at the time of Disposal were as follows:

Name	Place of incorporation/ registration and operations	Issued and paid up capital	Effective interest held by the Group	Principal activities
Smart Ascent Limited	Hong Kong	HK\$10,000	49%	Investment holding
Fosse Bio-Engineering Development Limited ("Fosse Bio")	Hong Kong/ The PRC	HK\$100,000	24.99%	Development and commercialization of oral insulin products
Welly Surplus Development Limited ("Welly Surplus")	Hong Kong	HK\$100	24.99%	Inactive
Nation Joy Industries Limited	British Virgin Islands	10,000 ordinary shares of US\$1 each	49%	Inactive

- (b) The amount due is unsecured, interest-free and has no fixed terms of repayment. The Group is unlikely to demand payment within 12 months of the reporting period ended date on 30 September 2014.
- (c) The amount due is unsecured, interest-free and repayable on demand.

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 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

7. 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

8. 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 11.

9. TURNOVER AND SEGMENT INFORMATION

The Group's turnover comprises the following:

	For the six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) 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 of its business operations 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.

9. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

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)	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'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 have been accounted for by using equity method.

10. PROFIT BEFORE TAXATION

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

	For the six months ended	
	30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) 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

10. PROFIT BEFORE TAXATION (CONTINUED)

	For the six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
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 (Note 4)

11. OTHER GAINS AND LOSSES, NET

	For the six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Gain on disposal of subsidiaries, net*	303,514	—
Change in fair value of derivative component of investment in convertible bonds (<i>Note 4</i>)	(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

11. OTHER GAINS AND LOSSES, NET (CONTINUED)

	HK\$'000
Gain on disposal:	
Cash received	65,000
Convertible bonds received	715,000
	<hr/>
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)
	<hr/>
Gain on disposal	414,022
Less: Loss on initial recognition of convertible bonds received	(110,508)
	<hr/>
Gain on disposal, net	303,514
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration received	65,000
Less: Cash and cash equivalents	(354)
Direct cost for disposal	(780)
	<hr/>
	63,866
	<hr/>

12. 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 (Unaudited) HK\$'000	2013 (Unaudited) 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



13. 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).

14. 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).

15. CONTINGENT LIABILITIES

At 30 September 2014, 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\$10 million (31 March 2014: HK\$7.5 million) of the facilities had been utilized.

16. COMMITMENTS

(a) Commitment under operating lease

At 30 September 2014, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 September 2014 (Unaudited) HK\$'000	At 31 March 2014 (Audited) HK\$'000
Within one year	1,787	1,713
In the second to fifth years, inclusive	2,458	3,351
	4,245	5,064

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) Other commitments

- (i) On 25 May 2011, Smart Ascent, the then 51%-owned indirect subsidiary of the Company agreed to grant an unsecured, non-interest bearing loan (the "Loan") for the aggregate amount of up to HK\$30,000,000 to Fordnew Industrial Limited ("Fordnew") which owns 24.5% (2013: 29%) interest in Fosse Bio, for its onward lending to Fosse Bio for payment of expenses relating to the clinical trial of the Product.



16. COMMITMENTS (CONTINUED)

(b) Other commitments (continued)

(i) (continued)

On 7 April 2014, Fordnew made a drawdown notice amounting to about HK\$3,059,000, and prior to deconsolidation of Smart Ascent in the Company's consolidated financial statements on 28 July 2014, the aggregate utilized and unutilized balances were respectively HK\$10,849,000 (31 March 2014: HK\$7,790,000) and HK\$19,151,000 (31 March 2014: HK\$22,210,000).

At 30 September 2014, the Group did not have any commitments on the Loan.

(ii) On 19 October 2006, Welly Surplus Development Limited ("Welly Surplus") entered into a cooperation agreement (the "Cooperation Agreement") and a sale and purchase agreement (the "SP Agreement") with Sea Ascent Investment Limited ("Sea Ascent") for the establishment of 江蘇派樂施藥業有限公司 (Jiangsu Prevalence Pharmaceutical Limited) ("Jiangsu Prevalence") and the construction of a factory by Jiangsu Prevalence for the production of Oral Insulin Enteric-Coated Soft Capsules (the "Medicine") in the PRC and the acquisition thereof by Welly Surplus, which is a subsidiary of the Group until 28 July 2014.

Fosse Bio is a guarantor for the due performance by Welly Surplus of its obligations and liabilities under the Cooperation Agreement which became operative upon obtaining approval from the Company's shareholders in the special general meeting held on 3 January 2007, until the expiry of a period of six years from the date on which the Medicine is launched for sales in open market.

16. COMMITMENTS (CONTINUED)

(b) Other commitments (continued)

(ii) (continued)

Depending on the progress of clinical trial of the oral insulin project, Welly Surplus and Sea Ascent had not yet concluded the extension of the long stop date of the SP Agreement, which remained conditional as at 28 July 2014.

As at the date of completion of the disposal of 51% equity interest in Smart Ascent, the terms and conditions of the Cooperation Agreement and SP Agreement remained intact on 28 July 2014.

17. 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 2014:

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

	For the six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Salaries, fees and other benefits	2,238	1,405
Pension scheme contributions	18	7
	2,256	1,412



18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following provides information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement recognized in the condensed consolidated statement of financial position

There was no transfer between Level 1, 2 and 3 during the period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement:

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 September 2014				
(Unaudited)				
Financial assets				
Investment in convertible				
bonds*			1,483	1,483
At 31 March 2014 (Audited)				
Financial assets				
Investment in convertible				
bonds*			N/A	N/A

* *This relates to the fair value of derivative component of investment in convertible bonds obtained in July 2014, which is determined in accordance with the Binomial Model, and the details of inputs are disclosed in Note 4.*

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values.

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of Level 3 fair value measurement of derivative financial instruments included in investment in convertible bonds

	HK\$'000
At issue date — 28 July 2014	167,966
Changes in fair value [#]	(166,483)
As at 30 September 2014	1,483

[#] Included in "Other Gains and Losses, Net" under Note 11, of which HK\$110,508,000 related to the change on initial recognition and HK\$55,975,000 related to re-measurement on 30 September 2014.

19. 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 work 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 businesses 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 businesses 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2014, 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	<i>Notes</i>	Capacity and nature of interest	Number of ordinary shares of HK\$0.01 each held/ entitled	Approximate percentage of interest held/ entitled
Xie Yi	(a)	Through controlled corporations	80,000,000	3.35%
Cheng Yong		Directly beneficially owned	830,000	0.03%
	(b)	Through controlled corporations	1,060,000	0.05%
		Held by spouse	5,090,000	0.21%
			<hr/> 6,980,000	<hr/> 0.29%

Notes:

- (a) *The entire issued share capital of JNJ Investments Ltd 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 Ltd (a company incorporated in the British Virgin Islands). The issued share capital of United Gene Group Ltd is owned as to 33% by Ease Gold Investments Limited, which is wholly owned by Dr. Xie Yi.*
- (b) *The shares are owned by Merchandise Holdings Limited (a company incorporated in the British Virgin Islands) which is wholly owned by Mr. Cheng Yong.*

Save as disclosed above, as at 30 September 2014, 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 directors or their respective spouses 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 spouses or minor children to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2014, 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
United Gene High-Tech Group Limited ("United Gene")	(a)	Directly beneficially owned	1,350,000,000	L	56.49%
Mao Yumin	(b)	Directly beneficially owned	204,500,000	L	8.55%
	(c)	Through controlled corporations	80,000,000	L	3.35%
			284,500,000	L	11.90%
Ong Cheng Heang	(d)	Directly beneficially owned	200,000,000	L	8.37%
	(e)	Directly beneficially owned	100,000,000	S	4.18%

Notes:

- (a) Among these 1,350,000,000 shares, (i) 450,000,000 shares represent the shares acquired by United Gene from JNJ Investments Ltd pursuant to the sale and purchase agreement entered into between Dr. Mao Yumin ("Dr. Mao"), JNJ Investments Ltd and United Gene on 27 April 2013 (the "UG SP Agreement") in connection with the acquisition of shares and the zero coupon 20 years convertible bonds for an aggregate principal amount of HK\$641,300,000 issued by the Company on 16 July 2013 (the "2013 Bonds") by United Gene; (ii) 500,000,000 shares represent the conversion shares to be allotted and issued to United Gene upon exercise in full by United Gene of the conversion rights under the 2013 Bonds to Dr. Mao 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 in full by United Gene of the conversion rights attached to the 2013 Bonds to Mr. Ong Cheng Heang ("Mr. Ong") and to be transferred to Dr. Mao pursuant to the subscription agreement entered into by Dr. Mao and Mr. Ong on 28 February 2013 (the "Subscription Agreement") and to be further transferred to United Gene by Dr. Mao pursuant to the UG SP Agreement.
- (b) Among these 204,500,000 shares, 100,000,000 shares represent the conversion shares to be allotted and issued to Dr. Mao upon exercise in full by Dr. Mao of the conversion rights attached to the 2013 Bonds with the principal amount of HK\$64,130,000 and 100,000,000 shares represent the remaining balance of conversion shares to be allotted and issued to Dr. Mao upon exercise in full by Dr. Mao of the conversion rights attached to the 2013 Bonds with the principal amount of HK\$64,130,000 to be issued to Mr. Ong and to be transferred to Dr. Mao upon the exercise of the call option in full by Dr. Mao pursuant to the Subscription Agreement.
- (c) The entire issued share capital of JNJ Investments Ltd 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 Ltd (a company incorporated in the British Virgin Islands). The issued share capital of United Gene Group Ltd is owned as to 33% by United Gene Holdings Limited, which is wholly owned by Dr. Mao.
- (d) Among these 200,000,000 shares, (i) 100,000,000 shares represent shares issued by the Company on 5 August 2013 upon exercise by Mr. Ong at the conversion price of the conversion rights attached to the 2013 Bonds with the principal amount of HK\$64,130,000, and (ii) 100,000,000 shares represent the conversion shares to be allotted and issued to Mr. Ong upon exercise in full by Mr. Ong at the conversion price of the conversion rights attached to the 2013 Bonds with the principal amount of HK\$64,130,000.
- (e) The shares represent the remaining balance of conversion shares to be allotted and issued to Dr. Mao upon exercise in full by Dr. Mao of the conversion rights attached to the 2013 Bonds with the principal amount of HK\$64,130,000 to be issued to Mr. Ong and to be transferred to Dr. Mao upon the exercise of the call option in full by Dr. Mao pursuant to the Subscription Agreement.

Save as disclosed above, as at 30 September 2014, 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 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.

REMUNERATION COMMITTEE

The Remuneration Committee, which comprises three INEDs and Dr. Xie Yi, 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 2014.

NOMINATION COMMITTEE

The Nomination Committee consists of four members including Dr. Xie Yi, Chairman of the Board and Chief Executive Officer and three INEDs, which 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
Xie Yi
Chairman

Hong Kong, 28 November 2014

CORPORATE INFORMATION

Board of Directors

*(As at the date of this interim report on
28 November 2014)*

Executive Directors

Dr. XIE Yi *(Chairman and Chief Executive
Officer)*

Dr. LOU Yi

Mr. CHENG Yong

Ms. WONG Sau Kuen

Mr. LIU Kwok Wah

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. XIE Yi *(Chairman)*

Mr. FANG Lin Hu

Mr. XUE Jing Lun

Ms. JIN Song

Joint Company Secretaries

Mr. LIU Kwok Wah

Ms. WONG Sau Kuen

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

Suites 2206-08, 22/F

Devon House, Taikoo Place

979 King's Road, Quarry Bay

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

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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Stock Code

The Stock Exchange of Hong Kong
Limited: 00858