EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED

精優藥業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 00858)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

The board of directors (the "Directors") 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 2007, together with the comparative figures as follows:

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**At 30 September 2007 (Unaudited)** ***HK$'000***	At 31 March 2007 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*2*	**54,244**	55,384
Interests in leasehold land		**13,982**	13,977
Intangible assets		**287,493**	287,722
		355,719	357,083
CURRENT ASSETS			
Inventories		**11,714**	12,453
Trade receivables	*3*	**87,430**	82,572
Deposits, prepayments and other receivables		**56,737**	55,372
Amounts due from minority shareholders	*9*	**8**	8
Pledged bank deposits		**7,661**	7,532
Cash and cash equivalents	*4*	**74,760**	78,969
		238,310	236,906
TOTAL ASSETS		**594,029**	593,989

	Notes	At 30 September 2007 (Unaudited) HK$'000	At 31 March 2007 (Audited) HK$'000
EQUITY			
Share capital	*5*	**22,900**	22,900
Reserves		**278,610**	276,019
		301,510	298,919
MINORITY INTERESTS		**217,500**	217,565
		519,010	516,484
NON-CURRENT LIABILITIES			
Deferred taxation	*6*	**102**	102
CURRENT LIABILITIES			
Trade and bills payables	*7*	**7,653**	9,657
Accruals and other payables		**31,350**	26,911
Interest-bearing borrowings — secured	*8*	**1,893**	3,543
Tax payable		**1,555**	1,631
Amount due to a director	*9*	**62**	3,257
Amount due to a minority shareholder	*9*	**32,404**	32,404
		74,917	77,403
TOTAL EQUITY AND LIABILITIES		**594,029**	593,989
NET CURRENT ASSETS		**163,393**	159,503
TOTAL ASSETS LESS CURRENT LIABILITIES		**519,112**	516,586

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*10*	**69,785**	68,991
Cost of sales		**(51,196)**	(49,009)
Gross profit		**18,589**	19,982
Other revenue		**1,607**	786
Selling and distribution expenses		**(8,063)**	(6,808)
Administrative expenses		**(12,124)**	(12,025)
Other operating expenses		**—**	(439)
Profit from operations	*12*	**9**	1,496
Finance costs	*13*	**(113)**	(90)
(Loss)/profit before taxation		**(104)**	1,406
Taxation	*14*	**(126)**	(147)
(Loss)/profit for the period		**(230)**	1,259
Attributable to:			
Equity holders of the Company		**28**	1,276
Minority interests		**(258)**	(17)
		(230)	1,259
Dividend	*15*	**—**	—
Earnings per share for profit attributable to the equity holders of the Company during the period	*16*		
— Basic		**HK0.001 cent**	HK 0.06 cent
— Diluted		**N/A**	N/A

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have not been audited by the Company's auditors but have been reviewed by the Company's Audit Committee.

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

The Directors are responsible for the preparation of the Group's unaudited condensed consolidated interim financial statements. In preparing these unaudited condensed consolidated interim financial statements, the Directors confirm that the basis of preparation, accounting policies and method of computation applied are consistent with those used in the audited consolidated financial statements for the year ended 31 March 2007 except for the adoption of new Hong Kong Financial Reporting Standards ("HKFRS"), which also include HKASs and interpretations, amendments to standards and interpretations (collectively "New Standards") which are effective for accounting periods beginning on or after 1 April 2007 as set out below.

Amendment to HKAS 1	Presentation of Financial Statements — Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) Interpretation 8	Scope of HKFRS 2
HK(IFRIC) Interpretation 9	Reassessment of Embedded Derivatives
HK(IFRIC) Interpretation 10	Interim Financial Reporting and Impairment
HK(IFRIC) Interpretation 11	HKFRS 2 — Group and Treasury Share Transactions

The Group has assessed the impact of the above New Standards and concluded that the adoption of these New Standards in the current period did not have any material impact on this unaudited condensed consolidated interim financial statements.

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The Group is still considering the potential impact of these standards but is not yet in a position to determine whether the adoption of these standards would have a significant impact on its results of operations and financial position.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) Interpretation 12	Service Concession Arrangements[2]
HK(IFRIC) Interpretation 13	Customer Loyalty Programmes[3]
HK(IFRIC) Interpretation 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction[2]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 January 2008
3 Effective for annual periods beginning on or after 1 July 2008

2. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2007, the Group acquired property, plant and equipment at a cost of approximately HK$174,000. The Group has disposed approximately HK$139,000 of property, plant and equipment during the six months ended 30 September 2007.

3. 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 for a period of 120 days, extending up to one year for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The directors of the Company consider that there is no concentration of credit risk with respect of trade receivables.

The ageing analysis of trade receivables was as follows:

	At 30 September 2007 (Unaudited) ***HK$'000***	At 31 March 2007 (Audited) *HK$'000*
Within 90 days	**53,093**	49,959
Between 91 to 180 days	**18,341**	20,669
Between 181 to 365 days	**15,732**	11,945
Between 1 to 2 years	**8,667**	8,688
Over 2 years	**8,724**	8,008
	104,557	99,269
Less: Impairment loss in respect of trade receivables	**(17,127)**	(16,697)
	87,430	82,572

The directors of the Company considered that the carrying amounts of trade receivables approximate to their fair values.

4. CASH AND CASH EQUIVALENTS

	At 30 September 2007 (Unaudited)	At 31 March 2007 (Audited)
	HK$'000	*HK$'000*
Deposit with banks and other financial institutions	**61,029**	47,504
Cash at bank and in hand	**13,731**	31,465
	74,760	78,969

At 30 September 2007, the cash and cash equivalents of the Group denominated in United States dollars amounted to approximately HK$61,613,000 (31 March 2007: HK$52,874,000), Hong Kong dollars amounted to approximately HK$2,530,000 (31 March 2007: HK$5,146,000) and Renminbi ("RMB") amounted to approximately HK$10,617,000 (31 March 2007: HK$20,949,000).

Cash at bank earned interests at floating rates based on daily bank deposit rates. Short-term deposits during the period ended 30 September 2007 are made for varying period of between one day and three months, depending on the immediate cash requirements of the Group, and earned interests at the respective short-term deposit rates. The directors of the Company considered that the carrying amounts of the cash and cash equivalents approximate to their fair values.

5. SHARE CAPITAL

	At 30 September 2007 (Unaudited)	At 31 March 2007 (Audited)
	HK$'000	*HK$'000*
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
2,290,000,000 ordinary shares of HK$0.01 each	**22,900**	22,900

6. DEFERRED TAXATION

The movements in deferred tax liabilities arising from accelerated tax depreciation were as follows:

	HK$'000
At 1 April 2007 (Audited)	**102**
Deferred tax charged for the period (Unaudited)	**—**
At 30 September 2007 (Unaudited)	**102**

At 30 September 2007, the Group did not recognise tax losses arising in Hong Kong of approximately HK$6,772,000 (31 March 2007: HK$2,980,000) that can be carried forward to set off against future taxable profits of the companies in which the losses arose.

At 30 September 2007, there was no significant unrecognised deferred tax liabilities (31 March 2007: nil) for taxes that would have been payable on the unremitted earnings of certain of the Group's subsidiaries as the Group had no liabilities to pay additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its equity holders.

7. TRADE AND BILLS PAYABLES

The ageing analysis of the trade and bills payables was as follows:

	At 30 September 2007 (Unaudited) ***HK$'000***	At 31 March 2007 (Audited) *HK$'000*
Within 90 days	**1,099**	6,916
Between 91 to 180 days	**6,331**	2,481
Between 181 to 365 days	**218**	253
Over 1 year	**5**	7
	7,653	9,657

The directors of the Company considered that the carrying amounts of trade and bills payables approximate to their fair values.

8. INTEREST-BEARING BORROWINGS — SECURED

	At 30 September 2007 (Unaudited) *HK$'000*	At 31 March 2007 (Audited) *HK$'000*
Trust receipt loans		
— Secured	**1,893**	3,543

The interest-bearing borrowings as at 30 September 2007 and 31 March 2007 were short term which due within one year.

At 30 September 2007, the Group's banking facilities were secured by:

— the Group's pledged bank deposits of HK$7,661,000 (31 March 2007: HK$7,532,000); and

— corporate guarantees from the Company and certain subsidiaries of the Company.

All of the Group's borrowings are denominated in United States dollars and carried at effective interest rates from 6.18% to 7.75% per annum.

The directors considered that the carrying amounts of the interest-bearing borrowings approximate to their fair values.

9. AMOUNTS DUE FROM/(TO) A DIRECTOR AND MINORITY SHAREHOLDERS

The amounts due from/(to) a director of the Company and minority shareholders are unsecured, interest-free and repayable on demand.

The directors of the Company considered that the amounts due to a director and a minority shareholder will be demanded for repayment within twelve months from the balance sheet date and therefore have been classified as current liabilities.

10. TURNOVER

The Group's turnover comprised of the followings:

	For the six months ended 30 September	
	2007 (Unaudited) *HK$'000*	2006 (Unaudited) *HK$'000*
Manufacturing of pharmaceutical products	**17,424**	17,252
Trading of pharmaceutical products	**52,361**	51,739
	69,785	68,991

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

11. SEGMENT INFORMATION

Detailed segment information is presented by way of the Group's primary segment reporting basis, which is by business segment. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in the PRC; and over 90% of the Group's assets and capital expenditures 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 each of the business segments are as follows:

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

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

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

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

The following table provides an analysis of the Group's revenues and results by business nature:

	(Unaudited) Manufacturing Six months ended 30 September		(Unaudited) Trading Six months ended 30 September		(Unaudited) Oral insulin Six months ended 30 September		(Unaudited) Gene development Six months ended 30 September		(Unaudited) Consolidated Six months ended 30 September	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	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	**17,424**	17,252	**52,361**	51,739	**—**	—	**—**	—	**69,785**	68,991
Segment results	**(1,318)**	(1,896)	**4,465**	5,563	**(669)**	(557)	**(82)**	(106)	**2,396**	3,004
Interest income									**1,568**	766
Net unallocated expenses									**(3,955)**	(2,274)
Profit from operations									**9**	1,496
Finance costs									**(113)**	(90)
(Loss)/profit before taxation									**(104)**	1,406
Taxation									**(126)**	(147)
(Loss)/profit for the period									**(230)**	1,259
Attributable to:										
Equity holders of the Company									**28**	1,276
Minority interests									**(258)**	(17)
									(230)	1,259

12. PROFIT FROM OPERATIONS

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

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of goods sold	**51,196**	49,009
Depreciation and amortisation of property, plant and equipment and land use rights	**2,562**	2,472
Amortisation of intangible assets	**296**	371
Compensation for key management personal including amounts paid to the Directors and senior executives:		
— Fees, salaries and other benefits	**1,991**	1,962
— Pension scheme contributions	**6**	6
Loss on disposal of property, plant and equipment and intangible assets, net	**47**	41
Exchange gains, net	**(214)**	(115)
Gain on disposal of a subsidiary	**—**	(10)
Interest income on bank balances	**(1,568)**	(766)

13. FINANCE COSTS

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on:		
Bank loans wholly repayable within five years	**113**	90

14. TAXATION

No provision for Hong Kong profits tax for the period ended 30 September 2006 and 2007 has been provided because the Group did not generate any assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of taxes prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Under the PRC income tax law, enterprises are subject to corporate income tax ("CIT") at a rate of 33%. However, since two of the Group's subsidiaries in the PRC are operating in specific development zones of the PRC, and the relevant tax authorities have granted those subsidiaries a preferential CIT rate of 15%.

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 2007 and 2006.

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Outside Hong Kong	**85**	147
Under-provision in prior years — Hong Kong	**41**	—
Total tax charge for the period	**126**	147

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

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(104)**	1,406
Tax at the statutory tax rate	**(794)**	(940)
Preferential statutory rate offered	**(120)**	(87)
Expenses not deductible for tax including companies with tax losses	**999**	1,174
Under-provision of profits tax of prior years	**41**	—
Tax charge at the Group's effective rate for the period	**126**	147

15. DIVIDEND

The Directors do not recommend the payment of any interim dividend in respect of the six months ended 30 September 2007 (six months ended 30 September 2006: nil).

16. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the Company's equity holders for the period of HK$28,000 (six months ended 30 September 2006: HK$1,276,000) and on 2,290,000,000 (2006: 2,290,000,000) shares in issue during the period.

There were no potential diluted ordinary shares in existence for each of the six months ended 30 September 2006 and 2007 and accordingly, no diluted earnings per share has been presented.

17. CONTINGENT LIABILITIES

(a) On 19 October 2006, Sea Ascent Investment Limited ("Sea Ascent"), an independent third party to the Group, Welly Surplus Development Limited ("Welly Surplus"), an indirect non wholly owned subsidiary of the Company, and Fosse Bio-Engineering Development Limited ("Fosse Bio"), an indirect non wholly owned subsidiary of the Company, entered into a cooperation agreement (the "Cooperation Agreement") in connection with the cooperation (the "Cooperation") between Sea Ascent and Welly Surplus pursuant to which (i) Sea Ascent shall procure its wholly owned subsidiary, Joy Kingdom Industrial Limited ("Joy Kingdom") to establish a wholly foreign owned enterprise in the PRC under the name of 江蘇派樂施藥業有限公司 (Jiangsu Prevalence Pharmaceutical Limited) ("Jiangsu Prevalence"); (ii) Sea Ascent shall advance a sum equivalent to RMB40 million to Joy Kingdom by way of an unsecured, non-interest bearing shareholder's loan ("Shareholder's Loan") for the payment of the registered capital of Jiangsu Prevalence and the acquisition of land and construction of a pharmaceutical manufacturing factory (the "Plant") at Pi Zhou City, Jiangsu, the PRC for the production of the Group's Oral Insulin Enteric-Coated Soft Capsules (the "Medicine"); and (iii) subject to Sea Ascent's performance of its obligations as aforesaid and completion of the acquisition of Joy Kingdom as mentioned below, Welly Surplus shall procure Joy Kingdom or Jiangsu Prevalence, if so agreed, to pay to Sea Ascent, during a period of six years from the date on which the Medicine is launched for sales in open market (the "Initial Operating Period"), a fee calculated at RMB6 cents for each capsule of Medicine produced (subject to a maximum fee of RMB180 million and deductions as specified in the Cooperation Agreement). The Cooperation Agreement became effective on 3 January 2007 and will terminate upon expiry of the Initial Operating Period.

On 19 October 2006, Sea Ascent and Welly Surplus also entered into a sale and purchase agreement ("SP Agreement") that Sea Ascent agreed to sell and Welly Surplus agreed to acquire (i) the entire share capital (the "Sale Share") in Joy Kingdom and (ii) the Shareholder's Loan at considerations of RMB40 million and HK$1 respectively (the "JK Consideration"). Completion of the SP Agreement was subject to, among other conditions, the Cooperation Agreement becoming effective in accordance with its terms, and the construction of the Plant in accordance with the terms of the Cooperation Agreement.

On 28 November 2006, Sea Ascent advanced US$1 million to Joy Kingdom which has been transferred to Jiangsu Prevalence for the purpose of establishment of Jiangsu Prevalence in the PRC.

At 30 September 2007, the SP Agreement has not yet become unconditional and the JK Consideration has not become due and payable upto the date of approval of these financial statements.

Further details of the SP Agreement and the Cooperation Agreement are set out in the Company's circular dated 18 December 2006.

(b) At 30 September 2007, the Company had provided corporate guarantees to certain banks for banking facilities provided to certain of its subsidiaries to the extent of approximately HK$38.0 million (31 March 2007: HK$38.0 million). These banking facilities had been utilised to the extent of approximately HK$9.0 million (31 March 2007: approximately HK$10.0 million) as at the balance sheet date.

(c) At 30 September 2007, the Company provided corporate guarantee in favour of a subsidiary (the "Subsidiary") to a landlord that the Subsidiary will duly observe the terms and pay the monies, being the total rental expenses, management fee and utility charges of about HK$5.0 million for the entire lease period starting from May 2005, contained in the tenancy agreement signed between the landlord and the Subsidiary.

(d) At 30 September 2007, the Group has no bills discounted with recourse. At 31 March, 2007, the Group had bills discounted with recourse of approximately HK$16.0 million.

18. COMMITMENTS

(a) Operating lease commitments

At 30 September 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	(Unaudited) At 30 September 2007	(Audited) At 31 March 2007
	HK$'000	*HK$'000*
Within one year	**1,008**	1,574
In the second to fifth years, inclusive	**—**	106
	1,008	1,680

Operating lease payment represented rental payments by the Company for certain of its offices. Leases are negotiated for terms of one to three years.

(b) Other commitments

(i) Pursuant to an agreement dated 3 March 2004, Fosse Bio was acquired by the Group through the acquisition of Smart Ascent Limited ("Smart Ascent"), a subsidiary of the Company, from two individuals (the "Vendors") who are connected persons to the Company. Pursuant to the deed of transfer (the "Deed") entered into between Smart Ascent and an equity holder of Fosse Bio (the "Fosse Vendor"), Smart Ascent acquired a 51% equity interest of Fosse Bio from Fosse Vendor at a consideration (the "Consideration") which is payable in four installments. The first and second installments were already settled. The third installment of HK$12,000,000 shall be paid within 14 days from the issuance of certificate of phase III clinical trial of the Medicine issued by the State Food and Drug Administration of the People's Republic of China ("SFDA"). The fourth installment of HK$19,780,000 shall be paid within 14 days from the issuance of the new product licence for the Medicine by SFDA. The third and fourth installments are recorded as an amount due to a minority shareholder as at the balance sheet date and are still outstanding as at the date of this report. Upon the Group acquiring an aggregate of 51% equity interest in Smart Ascent from the Vendors in March 2004, details of which are set out in "Business Review" under paragraph of "Oral Insulin Sector" below, the Vendors jointly and severally agreed to undertake in full the outstanding Consideration if and when the respective sum became due and payable and all costs (including legal costs), expenses or other liabilities which any of Smart Ascent or Extrawell (BVI) Limited, a wholly owned subsidiary of the Company and the purchaser under the acquisition, may incur in connection with the payment of the outstanding Consideration. As a result, a corresponding amount of HK$31,780,000 was recorded as another receivable by the Group as at the balance sheet date.

As at 30 September and 31 March 2007, the Group had a commitment to advance to an interest-free loan to Fosse Vendor and/or other equity holders of Fosse Bio for expenses relating to clinical trial of the oral insulin product. The loans so advanced can be offset against the fourth installment of the Consideration payable in accordance with the Deed.

(ii) At set out in note 17(a) above, at 30 September 2007, the SP Agreement has not yet become unconditional and the JK Consideration has not become due and payable upto the date of approval of these financial statements.

19. RELATED PARTY TRANSACTIONS

In addition to the disclosures elsewhere in these interim financial statements, the Company entered into related party transaction as follows:

On 27 July 2007, Extrawell (BVI) Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Ong Cheng Heang ("Mr. Ong"), who is a shareholder owned 49% equity interest in Smart Ascent and therefore is a connected person to the Company. Pursuant to the sale and purchase agreement, Extrawell (BVI) Limited agreed to buy and Mr. Ong agreed to sell the 49% equity interest in Smart Ascent at a consideration of HK$768,900,000, which will be satisfied by the Company allotting and issuing, credited as fully paid, an aggregate of 300,000,000 ordinary shares of the Company with normal value HK$0.01 at the issue price of HK$2.563 per share. Further information relating to this transaction, and transactions contemplated thereby, is set out in "Business Review" under paragraph of "Oral Insulin Sector".

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2007, the interests and short positions of the directors in the shares, and underlying shares of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

1. Long positions in ordinary shares of the Company

		Number of shares held of HK$0.01 each held, capacity and nature of interest			
Name of director	*Notes*	**Directly beneficially owned**	**Through controlled corporations**	**Total**	**Percentage of the Company's issued share capital**
Mao Yu Min	*(a)*	—	480,000,000	480,000,000	20.96
Xie Yi	*(a)*	—	480,000,000	480,000,000	20.96
Ho Yu Ling	*(b)*	—	52,000,000	52,000,000	2.27

Notes:

(a) JNJ Investments Ltd. ("JNJ Investments") and Fudan Pharmaceutical Limited ("FPL") hold 450,000,000 and 30,000,000 shares of the Company respectively.

The entire issued share capital of JNJ Investments is owned by Biowindow Gene Development (Hong Kong) Limited ("HK Biowindow"), the issued share capital of which is owned as to 99% by United Gene Group Ltd. (a company incorporated in the British Virgin Islands), as to 0.99% by 聯合基因科技有限公司 (United Gene Holdings Limited) (a company registered in the PRC) ("United Gene-PRC") and as to 0.01% by Shanghai Biowindow Gene Development Co., Ltd. ("Shanghai Biowindow").

The issued share capital of United Gene Group Ltd is owned as to 33% by United Gene Holdings Limited (a company incorporated in the British Virgin Islands) ("United Gene-BVI") and as to 33% by Ease Gold Investments Limited. The issued share capital of United Gene-BVI and Ease Gold Investments Limited was wholly owned by Dr. Mao Yu Min and Dr. Xie Yi respectively, who are directors of the Company.

The capital of Shanghai Biowindow is 60% owned by United Gene-PRC, 13.575% owned by Dr. Xie Yi and 13.575% owned by Ms. Sheng Xiao Yu, who is the wife of Dr. Mao Yu Min. The equity capital of United Gene-PRC is beneficially owned as to 33.5% by Dr. Mao Yu Min and as to 33.5% (including 8.5% direct interest and 25% indirectly through his shareholding in Ease Gold Investments Limited) by Dr. Xie Yi.

HK Biowindow owned 80% of the share capital of FPL.

(b) These shares are owned by Well Success Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Ho Yu Ling.

2. Long positions in shares of associated corporations

Name of director	Name of associated corporation	Relationship with the Company	Shares/equity derivative	Numbers of shares/equity derivative held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital/paid-up capital
Ho Chin Hou	Extrawell Enterprises Limited	Company's subsidiary	Non-voting deferred shares	100,000 shares *(note)*	Through a controlled corporation	100% of the non-voting deferred shares
Ho Yu Ling	Extrawell Enterprises Limited	Company's subsidiary	Non-voting deferred shares	100,000 shares *(note)*	Through a controlled corporation	100% of the non-voting deferred shares

Note: Extrawell Holdings Limited ("EHL"), a related company of the Group, owns 100,000 non-voting deferred shares of HK$10 each in Extrawell Enterprises Limited. Messrs. Ho Chin Hou and Ho Yu Ling are beneficial shareholders of EHL.

Save as disclosed above, at 30 September 2007, none of the directors had registered an interest or short position in the shares, and underlying shares 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 OR DEBENTURES

Save as the Scheme (as defined hereinafter), the details of which are set out in the paragraph headed "Employment And Remuneration Policy" in this interim financial report, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or minor children to acquire such rights in any other body corporate.

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

At 30 September 2007, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO other than certain directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above.

Long positions in ordinary shares of the Company

Name of substantial shareholders	*Notes*	**Capacity and nature of interest**	**Number of shares held**	**Approximate percentage of interests held**
Ease Gold Investments Limited	*(1)*	Through controlled corporations	480,000,000	20.96
United Gene-BVI	*(1)*	Through controlled corporations	480,000,000	20.96
United Gene Group Ltd	*(1)*	Through controlled corporations	480,000,000	20.96
HK Biowindow	*(1)*	Through controlled corporations	480,000,000	20.96
JNJ Investments	*(1)*	Directly beneficially owned	450,000,000	19.65
Ong Cheng Heang	*(2)*	Directly beneficially owned	300,000,000	13.10

Notes:

(1) JNJ Investments and FPL hold 450,000,000 and 30,000,000 shares of the Company respectively.

The entire issued share capital of JNJ Investments is owned by HK Biowindow, the issued share capital of which is owned as to 99% by United Gene Group Ltd. (a company incorporated in the British Virgin Islands), as to 0.99% by United Gene-PRC and as to 0.01% by Shanghai Biowindow.

The issued share capital of United Gene Group Ltd is owned as to 33% by United Gene-BVI and as to 33% by Ease Gold Investments Limited. The issued share capital of United Gene-BVI and Ease Gold Investments Limited was wholly owned by Dr. Mao Yu Min and Dr. Xie Yi respectively, who are directors of the Company.

The capital of Shanghai Biowindow is 60% owned by United Gene-PRC, 13.575% owned by Dr. Xie Yi and 13.575% owned by Ms. Sheng Xiao Yu, who is the wife of Dr. Mao Yu Min. The equity capital of United Gene-PRC is beneficially owned as to 33.5% by Dr. Mao Yu Min and as to 33.5% (including 8.5% direct interest and 25% indirectly through his shareholding in Ease Gold Investments Limited) by Dr. Xie Yi.

HK Biowindow owned 80% of the share capital of FPL.

These interests have also been included in the corporate interests of Dr. Mao Yu Min and Dr. Xie Yi as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above.

(2) Mr. Ong Cheng Heang is interested in the 30,000,000 shares in the Company which are the consideration shares to be allotted and issued to him by the Company pursuant to the conditional sale and purchase agreement dated 27 July 2007 and entered into between the Group and Mr. Ong in connection with the acquisition of 49% equity interest in Smart Ascent. Please refer to paragraph headed with "Oral Insulin Sector" under "Business Review" below for further information.

Save as disclosed above, as at 30 September 2007, no person, other than certain directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" 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.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2007 except for the deviations as follows. Reference could be made to the Company's annual report for the year ended 31 march 2007 for other disclosure matters.

(a) Code provisions A1.3 and A6.1 stipulates that 14-days notice should be given for each regular board meeting and that in respect of regular meetings, and so far as practicable in all other cases, an agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or such other period as agreed). The Company agrees that sufficient time should be given to the Directors in order to make a proper decision. In these respects, the Company adopts a more flexible approach (and yet sufficient time has been given) in convening board meetings to ensure efficient and prompt management decisions could be made.

(b) Code provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Company deviates from the above code provision as the independent non-executive Directors ("INEDs") are not appointed for specific terms. According to the bye-laws of the Company, however, the INEDs are subject to retirement and re-election. The reason for the deviation is that the Company believes that the Directors ought to be committed to representing the long term interest of the Company's shareholders.

(c) Code provision A4.2 stipulates that every director should subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the Directors shall retire from office by rotation provided that the Chairman, Deputy Chairman or managing Director shall not be subject to retirement by rotation. The Company's bye-laws deviate from the code provision. The Company considered that the continuity of the Chairman/Deputy Chairman/ managing Director and their leadership is essential for the stability of the business and key management. The rotation methodology ensures a reasonable continuity of directorship which is to the best interest of the Company's shareholders.

As set out in the Company's announcement dated 31 October 2007, the Company has appointed an independent international accounting firm to conduct an internal control review with respect to the financial, operation, compliance control and risk management functions and to assist the independent board of directors to identity any weaknesses and deficiencies in the internal control of the Group. The review is currently in progress.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conducts for securities transactions with terms no less exacting than the required standard of the Model Code as set out in Appendix 10 to the Listing Rules.

Following specific enquiry made with the directors of the Company, the Company has confirmed that each of its directors has complied with the required standard set out in the Model Code regarding securities transactions by directors.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Sales and Gross Profit

The PRC government has strengthen its policy in recent years to restrict all government controlled hospitals to source medicines through open tender. As a result, sourcing agents are placing more emphasis on pure price comparison while less emphasis is on the quality and individual needs of each individual patient. We are unavoidably affected. We responded proactively to the change in market condition to lower our sales price. While we are able to maintain our market share, our gross profit and margin were slightly lowered.

Our turnover was increased slightly by approximately 1.2% from about HK$69.0 million for the six months ended 30 September 2006 (the "2006 Interim Period") to about HK$69.8 million for the six months ended 30 September 2007 (the "2007 Interim Period"). However, the gross profit has been lowered by 7.0% from about HK$20.0 million for the 2006 Interim Period to about HK$18.6 million for the 2007 Interim Period.

Imported Pharmaceuticals Sector

Turnover for the Imported Pharmaceuticals Sector recorded slight growth of about 1.2% from about HK$51.7 million 2006 Interim Period to about HK$52.4 million in the 2007 Interim Period. Segment operating profit is about HK$4.5 million in 2007 Interim Period, representing a decline of operating profit by 19.7% comparing to the segment results of 2006 Interim Period.

Our leading product, GM-1, a specialised prescription drug for central nervous system, continued to be well-received in the market and has achieved a stable sale in the current interim period. In the current interim period, we also see promising growth in sales of Skin-cap Spray. Skin-cap Spray, an internationally renowned product, which we introduced to the PRC market in previous year, is the most effective and efficient treatment for cases of psoriasis, dandruff, seborrheic dermatitis, atopic dermatitis, eczema and some tinea.

Manufactured Pharmaceuticals Sector

Similar to the Imported Pharmaceuticals Sector, our manufactured pharmaceuticals are unavoidably affected by the tender system of government-controlled hospitals. Price competition is severe and some of our products have lowered the selling price in order to maintain market share. Turnover of this sector has increased slightly by approximately HK$0.1 million from approximately HK$17.3 million in 2006 Interim Period to approximately HK$17.4 million in 2007 Interim Period. However, the segment result recorded a loss of approximately HK$1.3 million, representing narrowing the gap of operating loss by approximately HK$0.6 million from a segment loss of approximately HK$1.9 million in 2006 Interim Period.

Oral Insulin Sector

The Group entered into a sale and purchase agreement (the "2004 Agreement") with the Vendors on 3 March 2004 for the acquisition of 51% equity interest in Smart Ascent (the "2004 Transaction"), and entered into another conditional sale and purchase agreement (the "2007 Agreement") with Mr. Ong on 27 July 2007 for the acquisition of the remaining 49% equity interest in Smart Ascent (the "2007 Transaction"). Please refer to circulars of the Company dated 25 March 2004 and 22 August 2007 for further details of the 2004 Transaction and the 2007 Transaction, respectively.

The Group though its subsidiary, Fosse Bio, with the cooperation of Tsinghua University, is developing the Medicine, which is a new oral insulin product. Instead of traditional forms of insulin treatment by way of injection, the Medicine allows diabetic patients to intake insulin treatment orally. According to the knowledge of the management, this could be the first insulin product, which can be absorbed through the digestive system and has completed phase II clinical trial in the World. After the completion of phase II clinical trial, results has been submitted to SFDA for further approval. Thus no revenue had been recorded in the current interim period.

The 2004 Transaction was announced as a discloseable transaction and the 2007 Transaction was announced as a connected and discloseable transaction under the Listing Rules. As set out in the clarification announcement of the Company dated 17 September 2007, subsequent to the issue of the circular relating to the 2007 Transaction, it came to the attention of the Board that the Vendors are persons connected with a director of the Company and, as disclosed in the Company's clarification announcement dated 31 October 2007, the Stock Exchange indicated its view that, taking into account the association of the director with the Vendors, the 2004 Transaction should have been subject to the relevant reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. At the request of the Stock Exchange, a special general meeting of the Company will be convened to seek the ratification and approval of the 2004 Transaction, the 2004 Agreement and the transactions contemplated, and thereafter, subject to the approval and ratification of the 2004 Transaction by the independent shareholders of the Company, the Company will seek the approval of the 2007 Transaction, the 2007 Agreement and the transactions contemplated by the independent shareholders of the Company. Please refer to the Company's announcements dated 17 September 2007 and 31 October 2007 for further details.

Notwithstanding the above, taking into account the valuation of Smart Ascent as at 30 June 2007 carried out by an independent valuer and the progress of the approval of the Medicine so far, the Directors do not consider that it is necessary to make any provision of impairment loss or adjustment to the carrying value of the Group's investment in this sector at this stage.

Gene Development Sector

During this interim period ended 30 September 2007, our gene development remains inactive and no revenue was recorded. Group only maintained minimal corporate and managerial costs for this sector.

Sales and Distribution Expenses

Selling and distribution expenses of the Group increased slightly from about HK$6.8 million in 2006 Interim Period to about HK$8.1 million in 2007 Interim Period, representing a rise of about 18.4%. The increase in selling and distribution expenses is mainly attributed to the increase in symposium, medical meetings and promotion expenses which are incurred for the introduction and reinforcement of the Group's products to customers in order to maintain our market share.

Administrative Expenses

Administrative expenses of the Group are maintained at a similar level of about HK$12.1 million as compared to the HK$12.0 million for the 2006 Interim Period.

Loss for the 2007 Interim Period

As a result of slightly lower profit margin due to price competition and increase in selling and distribution expenses, the Group has recorded a margin loss after tax in the 2007 Interim Period of about HK$0.2 million.

Seasonal or Cyclical Factors

The Group's business operations were not significantly affected by any seasonal and cyclical factors except that extended statutory holidays in the PRC may lead to lower Group 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 bankers in Hong Kong. Its principal bankers are Industrial and Commercial Bank of China (Asia) Limited, Malayan Banking Berhad, The Bank of East Asia, Limited, Dah Sing Bank Limited and DBS Bank (Hong Kong) Limited. As at 30 September 2007, the Group had total cash and bank balances (including pledged bank deposits) of about HK$82.4 million (31 March 2007: HK$86.5 million), representing a slight decrease by approximately 4.7%.

The Group has kept its borrowing at a minimal level. As at 30 September 2007, the Group's had bank borrowings of approximately HK$1.9 million (31 March 2007: approximately HK$3.5 million), representing a 46.5% decrease from that of 31 March 2007. All of the bank borrowings representing import loans which are due within one year. The Group's banking facilities were supported by the pledge of the Group's fixed deposits of about HK$7.7 million (31 March 2007: HK$7.5 million) and corporate guarantees from the Company and certain subsidiaries of the Company. All of the Group's borrowings are denominated in United States dollars at effective rates ranging from 6.18% to 7.75% per annum. There is no seasonality in borrowing requirement of the Group.

Included in the amount due to minority shareholder of about HK$32.4 million (31 March 2007: HK$32.4 million) was an amount of about HK$31.8 million (31 March 2007: HK$31.8 million) which is a payable acquired during our acquisition of a subsidiary, Smart Ascent. This payable was representing the outstanding consideration payable by Smart Ascent during its acquisition for its subsidiary, Fosse Bio. Since the vendors of Smart Ascent have agreed to assume these liabilities when they fall due, a receivable of the equivalent amount was included in "Deposits, prepayments and other receivables" under current assets. Accordingly, the said amount due to a minority shareholder did not have any impact to the net current assets position nor the future cash flow of the Group and the amount was excluded in calculating the Group's gearing ratio.

As at 30 September 2007, the gearing ratio was 0.06 (31 March 2007: 0.06), calculated based on the Group's total debts of approximately HK$34.3 million (31 March 2007: HK$35.9 million), comprising bank borrowings of about HK$1.9 million (31 March 2007: HK$3.5 million) and net amount of due to a minority shareholder of about HK$32.4 million (31 March 2007: HK$32.4 million), over the Group's total assets of about HK$594.0 million (31 March 2007: HK$594.0 million).

All borrowings taken out are in United States dollars. The Group had limited exposure to foreign exchange rate fluctuation as most of its transactions, including borrowings, were mainly conducted in Hong Kong dollars, Renminbi or United States dollars and the exchange rates of these currencies were relatively stable throughout the period. No hedge on foreign currencies was made during the period.

Except as mentioned above, there were no significant changes in loan structure of the Group during the period.

Contingent Liabilities

(a) On 19 October 2006, Sea Ascent Investment, an independent third party to the Group, Welly Surplus, an indirect non wholly owned subsidiary of the Company, and Fosse Bio, an indirect non wholly owned subsidiary of the Company, entered into a Cooperation Agreement in connection with the Cooperation between Sea Ascent and Welly Surplus pursuant to which (i) Sea Ascent shall procure its wholly owned subsidiary, Joy Kingdom Industrial Limited ("Joy Kingdom") to establish a wholly foreign owned enterprise in the PRC under the name of Jiangsu Prevalence; (ii) Sea Ascent shall advance a sum equivalent to RMB40 million to Joy Kingdom by way of an unsecured, non-interest bearing Shareholder's Loan for the payment of the registered capital of Jiangsu Prevalence and the acquisition of land and construction of the Plant at Pi Zhou City, Jiangsu, the PRC for the production of the Group's Medicine; and (iii) subject to Sea Ascent's performance of its obligations as aforesaid and completion of the acquisition of Joy Kingdom as mentioned below, Welly Surplus shall procure Joy Kingdom or Jiangsu Prevalence, if so agreed, to pay to Sea Ascent, during the Initial Operating Period, a fee calculated at RMB6 cents for each capsule of Medicine produced (subject to a maximum fee of RMB180 million and deductions as specified in the Cooperation Agreement). The Cooperation Agreement became effective on 3 January 2007 and will terminate upon expiry of the Initial Operating Period.

    On 19 October 2006, Sea Ascent and Welly Surplus also entered into the SP Agreement that Sea Ascent agreed to sell and Welly Surplus agreed to acquire (i) the entire Sale Share in Joy Kingdom and (ii) the Shareholder's Loan at JK Consideration. Completion of the SP Agreement was subject to, among other conditions, the Cooperation Agreement becoming effective in accordance with its terms, and the construction of the Plant in accordance with the terms of the Cooperation Agreement.

    On 28 November 2006, Sea Ascent advanced US$1 million to Joy Kingdom which has been transferred to Jiangsu Prevalence for the purpose of establishment of Jiangsu Prevalence in the PRC.

    At 30 September 2007, the SP Agreement has not yet become unconditional and the JK Consideration has not become due and payable upto the date of approval of these financial statements.

    Further details of the SP Agreement and the Cooperation Agreement are set out in the Company's circular dated 18 December 2006.

(b) At 30 September 2007, the Company had provided corporate guarantees to certain banks for banking facilities provided to certain of its subsidiaries to the extent of approximately HK$38.0 million (31 March 2007: HK$38.0 million). These banking facilities had been utilised to the extent of approximately HK$9.0 million (31 March 2007: approximately HK$10.0 million) as at the balance sheet date.

(c) At 30 September 2007, the Company provided corporate guarantee in favour of a subsidiary (the "Subsidiary") to a landlord that the Subsidiary will duly observe the terms and pay the monies, being the total rental expenses, management fee and utility charges of about HK$5.0 million for the entire lease period starting from May 2005, contained in the tenancy agreement signed between the landlord and the Subsidiary.

(d) At 30 September 2007, the Group has no bills discounted with recourse. At 31 March 2007, the Group had bills discounted with recourse of approximately HK$16.0 million.

Outlook

Oral Insulin

The Directors are positive as to progress of the approval of the oral insulin medicine and consider that it will continue to be one of our focus in the coming future.

As mentioned above, results of the phase II clinical trial of our oral insulin medicine has been submitted to the SFDA for approval. During the year ended 31 March 2007, the Group has announced a co-operation with a third party for the construction of a pharmaceutical manufacturing factory, which should comply with the standards of Good Manufacture Practices for Pharmaceutical Products, for the future production of the Medicine. The Plant in the pipeline will be equipped with a production capacity of at least 1.5 billion capsules of the Medicine per annum. At 30 September 2007, construction of the Plant is under progress.

Renewal of Import Drug License

In September 2007, the SFDA has renewed the Import Drug Licenses for the Group's major import product, GM-1, both strengths 20mg and 100mg. The new licenses are with validity for five years until the year 2012. This secures a long term business for the Group and we will inject appropriate resources for the expansion of market shares for the product.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2007, the Group had 367 employees (30 September 2006: 382). Staff costs excluding directors remuneration and included those charged in the cost of sales for the six months ended 30 September 2007 amounted to approximately HK$8.0 million (six months ended 30 September 2006: approximately HK$8.2 million).

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

Ordinary resolutions were passed on the annual general meeting of the Company on 8 August 2002, approving the adoption of a share option scheme (the "Scheme") by the Company. The Scheme, with its broadened basis of participation, and absence of performance target to be achieved 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 2007, no share option was granted, exercised, cancelled or lapsed under the Scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2007, the Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee, which comprised of three INEDs with terms of reference in compliance with Code provision C3.3, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results. The Directors are also in the progress of reviewing the internal control systems of the Group.

REMUNERATION COMMITTEE

The Remuneration Committee, which comprised of three INEDs, was formed on 16 December 2005 with terms of reference in compliance with Code provision B1.3 to oversee the remuneration policies of the Group during the six months ended 30 September 2007.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A results announcement and an Interim report containing all information required by Appendix 16 of the Listing Rules of the Stock Exchange will be published on the website of the Stock Exchange in due course.

By Order of the Board
Mao Yu Min
Chairman

As at the date of this announcement, the Executive Directors of the Company are Dr. Mao Yu Min, Mr. Ho Chin Hou, Mr. Ho Yu Ling, Mr. Li Qiang and Dr. Xie Yi and the Independent Non-Executive Directors are Mr. Fang Lin Hu, Mr. Xue Jing Lun and Ms. Jin Song.

Hong Kong, 20 December 2007

* *For identification only*