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 2008

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 2008, together with the comparative figures as follows:

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**At 30 September 2008 (Unaudited) *HK$'000***	At 31 March 2008 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*2*	**55,852**	53,854
Prepaid land lease payments		**14,406**	14,251
Intangible assets		**285,624**	285,782
		355,882	353,887
CURRENT ASSETS			
Inventories		**26,238**	18,639
Trade receivables	*3*	**86,617**	97,948
Deposits, prepayments and other receivables		**62,467**	58,697
Amounts due from minority shareholders	*8*	**8**	8
Pledged bank deposits	*4*	**20,215**	18,160
Cash and cash equivalents		**86,050**	72,234
		281,595	265,686
TOTAL ASSETS		**637,477**	619,573

	Notes	At **30 September** **2008** **(Unaudited)** ***HK$'000***	At 31 March 2008 (Audited) *HK$'000*
EQUITY			
Share capital	*5*	**22,900**	22,900
Reserves		**278,212**	274,020
		301,112	296,920
MINORITY INTERESTS		**217,026**	215,957
		518,138	512,877
NON-CURRENT LIABILITIES			
Deferred taxation	*6*	**102**	102
CURRENT LIABILITIES			
Trade and bills payables	*7*	**10,676**	13,023
Accruals and other payables		**56,757**	44,513
Tax payable		**19,400**	16,654
Amount due to a minority shareholder	*8*	**32,404**	32,404
		119,237	106,594
TOTAL EQUITY AND LIABILITIES		**637,477**	619,573
NET CURRENT ASSETS		**162,358**	159,092
TOTAL ASSETS LESS CURRENT LIABILITIES		**518,240**	512,979

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*9*	**91,092**	69,785
Cost of sales		**(69,583)**	(51,196)
Gross profit		**21,059**	18,589
Other revenue		**3,693**	1,607
Selling and distribution expenses		**(9,031)**	(8,063)
Administrative expenses		**(13,851)**	(12,124)
Profit from operations	*11*	**2,320**	9
Finance costs		**(2)**	(113)
Profit/(Loss) before taxation		**2,318**	(104)
Taxation	*12*	**(2,948)**	(126)
(Loss) for the period		**(630)**	(230)
Attributable to:			
Equity holders of the Company		**(1,671)**	28
Minority interests		**1,041**	(258)
		(630)	(230)
Dividends	*13*	**—**	—
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period	*14*		
— Basic		**HK(0.073) cent**	HK0.001 cent
— Diluted		**N/A**	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention.

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 2008.

In the current interim period, the Group has applied, for the first time, a number of new amendments and interpretations ("new HKFRSs") issued by the HKICPA that are effective for the Group's financial year beginning 1 April 2008. The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

The Group has not early applied the following new, revised or amended 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 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellation[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) Interpretation 13	Customer Loyalty Programmes[3]
HK(IFRIC) Interpretation 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) Interpretation 16	Hedges of a Net Investment in a Foreign Operation[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The adoption of HKAS 27 (Revised) will affect the accounting treatment for changes in parent's ownership interest in a subsidiary that do not result in loss of control, which will be accounted for as equity transactions. The Directors of the Company anticipate that the application of the other or revised standards or interpretations will have no material impact on the result and the financial position of the Group.

2. Property, Plant and Equipment

During the six months ended 30 September 2008, the Group acquired property, plant and equipment at a cost of approximately HK$2,994,000. The Group has disposed approximately HK$361,000 of property, plant and equipment during the six months ended 30 September 2008.

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 between 90–120 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 minimize credit risk. Overdue balances are reviewed regularly by senior management.

The ageing analysis of trade receivables was as follows:

	At 30 September 2008 (Unaudited) ***HK$'000***	At 31 March 2008 (Audited) *HK$'000*
Within 90 days	**36,730**	62,938
Between 91 to 180 days	**32,201**	21,904
Between 181 to 365 days	**11,312**	12,387
Between 1 to 2 years	**5,810**	179
Over 2 years	**564**	540
	86,617	97,948

4. Pledged Bank Deposits

The Group's pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group.

5. Share Capital

	At 30 September 2008 (Unaudited) HK$'000	At 31 March 2008 (Audited) HK$'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 of deferred tax liabilities arising from accelerated tax depreciation were as follows:

	HK$'000
At 1 April 2008 (Audited)	102
Deferred tax charged for the period (Unaudited)	—
At 30 September 2008 (Unaudited)	102

At 30 September 2008, the Group has unused tax losses arising in Hong Kong and the PRC of approximately HK$3,273,000 (31 March 2008: HK$3,001,000) and HK$3,626,000 (31 March 2008: HK$3,626,000) respectively available for offset against future taxable profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams. Tax losses arising in Hong Kong may be carried forward indefinitely. The tax loss arising in the PRC will be expired in the years 2009 to 2013.

At 30 September 2008, there was no significant unrecognized deferred tax liabilities (31 March 2008: 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 2008 (Unaudited) *HK$'000*	At 31 March 2008 (Audited) *HK$'000*
Within 90 days	**10,559**	6,788
Between 91 to 180 days	**112**	6,228
Between 181 to 365 days	**—**	—
Over 1 year	**5**	7
	10,676	13,023

8. Amounts Due from/(to) Minority Shareholders

The amount due to a minority shareholder is unsecured, interest-free and repayable on demand, which has been classified as current liabilities.

The Directors of the Company considered that the amounts due from minority shareholders will be demanded for repayment within twelve months from the balance sheet date, and therefore have been classified as current assets.

9. Turnover

The Group's turnover comprised of the followings:

	For the six months ended 30 September	
	2008 (Unaudited) *HK$'000*	2007 (Unaudited) *HK$'000*
Manufacturing of pharmaceutical products	**25,285**	17,424
Trading of pharmaceutical products	**65,807**	52,361
	91,092	69,785

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.

10. 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 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**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	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	**25,285**	17,424	**65,807**	52,361	**—**	—	**—**	—	**91,092**	69,785
Segment results	**1,728**	(1,318)	**5,761**	4,465	**(212)**	(669)	**(66)**	(82)	**7,211**	2,396
Bank interest income									**654**	1,568
Net unallocated expenses									**(5,545)**	(3,955)
Profit from operations									**2,320**	9
Finance costs									**(2)**	(113)
Profit/(Loss) before taxation									**2,318**	(104)
Taxation									**(2,948)**	(126)
(Loss) for the period									**(630)**	(230)
Attributable to:										
Equity holders of the Company									**(1,671)**	28
Minority interests									**1,041**	(258)
									(630)	(230)

11. Profit from Operations

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

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of goods sold	**69,583**	51,196
Depreciation and amortisation of property, plant and equipment and prepaid land lease payments	**2,789**	2,562
Amortisation of intangible assets	**271**	296
Compensation for key management personnel including amounts paid to the Directors and senior executives:		
— Fees, salaries and other benefits	**1,955**	1,991
— Pension scheme contributions	**6**	6
Loss on disposal of property, plant and equipment and intangible assets, net	**142**	47
Exchange gains, net	**(497)**	(214)
Interest income on bank balances	**(654)**	(1,568)

12. Taxation

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the period ended 30 September 2008. Taxes 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 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% plus a local income tax rate of 3% to the subsidiaries established in the PRC.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "New Tax Law"), which has taken effect since 1 January 2008. In December 2007, the State Council of the PRC issued Implementation Regulations of the New Tax Law. As a result of The New Tax Law and the Implementation Regulations, the Group's subsidiaries in the PRC are subject to a unified tax rate of 25% starting from 1 January 2008.

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 2008 and 2007.

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong	**41**	—
Current — Outside Hong Kong	**2,907**	85
Under-provision in prior years		
— Hong Kong	**—**	41
Total tax charge for the period	**2,948**	126

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

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit/(Loss) before taxation	**2,318**	(104)
Tax at the statutory tax rates applicable to the respective tax jurisdictions	**(61)**	(794)
Preferential statutory rate offered	**60**	(120)
Expenses not deductible for tax including companies with tax losses	**2,938**	999
Under-provision of profits tax of prior years	**11**	41
Tax charge for the period	**2,948**	126

13. Dividend

The Directors do not recommend the payment of any interim dividend in respect of the six months ended 30 September 2008 (six months ended 30 September 2007: nil).

14. (Loss)/Earnings Per Share

The calculation of the basic (loss)/earnings per share is based on the (loss)/profit attributable to the Company's equity holders for the six months ended 30 September 2008 of HK$1,671,000 (six months ended 30 September 2007: HK$28,000) and on 2,290,000,000 (2007: 2,290,000,000) shares in issue during the six months ended 30 September 2008.

There were no potential diluted ordinary shares in existence for each of the six months ended 30 September 2007 and 2008 and accordingly, no diluted earnings per share has been presented.

15. 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 2008, 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 as a result of the prolonged process for completing the registration of the Medicine.

Further details of the SP Agreement and the Cooperation Agreement, and the progress of the application for registration of the Medicine are set out in the Company's circular and announcement dated 18 December 2006 and 6 November 2008 respectively.

(b) At 30 September 2008, corporate guarantees totaling HK$18 million were given by the Group to banks in connection with banking facilities provided to certain of the Company's subsidiaries, and approximately HK$9.7 million of the facilities had been utilized.

(c) At 30 September 2008, the Company had provided corporate guarantee in favour of a subsidiary (the "Subsidiary") to a landlord that the Subsidiary would duly observe the terms and pay the monies, being the total rental, expenses, management fee and utility charges of approximately HK$5.0 million for the entire lease period starting from March 2008, contained in the tenancy agreement signed between the landlord and the Subsidiary.

16. Commitments

(a) *Operating lease commitments*

At 30 September 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 September 2008 (Unaudited) ***HK$'000***	At 31 March 2008 (Audited) *HK$'000*
Within one year	**1,710**	1,491
In the second to fifth years, inclusive	**2,422**	3,277
	4,132	4,768

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 other receivable by the Group as at the balance sheet date.

As at 30 September and 31 March 2008, 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) As set out in note 15(a) above, at 30 September 2008, 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.

17. Connected and Related Party Transactions

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

On 27 July 2007, Extrawell (BVI) Limited, a subsidiary of the Company, entered into a sale and purchase agreement with Mr. Ong Cheng Heang ("Mr. Ong"), who is one of the Vendors and the minority shareholder holding 49% equity interest in Smart Ascent. Mr. Ong is also the son-in-law of a director of 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 (the "2007 Transaction") at a consideration of HK$768,900,000 which will be satisfied by allotting and issuing 300,000,000 ordinary shares of the Company with nominal value HK$0.01 at issuing price of HK$2.563 each. In a special general meeting held on 20 September 2007, the 2007 Transaction was approved.

Pursuant to an announcement dated 17 September 2007, the Vendors of the 2004 Transaction are the respective son-in-law and the daughter-in-law of Mr. Ho Chin Hou, a director of the Company. Such relationship was not disclosed before the approval of the 2004 Transaction. The Stock Exchange issued a letter to the Company on 20 September 2007 requesting the ratification of the 2004 Transaction and re-approval of the 2007 Transaction. Both the 2004 Transaction and the 2007 Transaction are still subject to ratification and re-approval respectively as at the date of this announcement.

As the 2007 Transaction has not yet been completed, Smart Ascent was accounted for as a 51% owned subsidiary of the Company as at the date of this announcement.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2008, 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 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

Notes:

(a) JNJ Investments Ltd. ("JNJ Investments") and Fudan Pharmaceutical Limited ("FPL") hold 450,000,000 and 30,000,000 ordinary 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.

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

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. Mr. Ho Chin Hou is a beneficial shareholder of EHL.

Save as disclosed above, as at 30 September 2008, 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 2008, 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 300,000,000 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.

Save as disclosed above, as at 30 September 2008, 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 2008 except for the deviations as follows. Reference could be made to the Company's annual report for the year ended 31 March 2008 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 be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the Directors shall retire from office by rotation provided that the Chairman, Deputy Chairman or Managing Director shall not be subject to retirement by rotation. The Company's bye-laws deviate from the code provision. The Company 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.

(d) Code provision A4.2 also stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. According to the bye-laws of the Company, any director so appointed shall hold office only until the next following annual general meeting. The Company's bye-laws deviate from the code provision. However, the Company believes that it is in the best interest of the Company's shareholders to transact this ordinary course of business in the annual general meeting.

(e) Code provision E1.2 stipulates that the Chairman of the Board should attend the annual general meeting of the Company. Due to business meeting commitments overseas, Dr. Mao Yu Min was unable to attend the annual general meeting of the Company held on 30 September 2008. Dr. Xie Yi, executive director of the Company, was appointed to chair the annual general meeting in accordance with the provisions of the Company's bye-laws.

As set out in the Company's announcement dated 18 June 2008 and its annual report for the year ended 31 March 2008, an internal control review in respect of the financial, operational, compliance control and risk management functions of Group had been completed by the independent accounting firm. The Audit Committee and the Board considered that the key areas of the Group's internal control systems are reasonably implemented, with room for improvements and circumstances no longer exist to suggest that these may be significant deficiencies in the internal control system.

The independent accounting firm has recently submitted its report for the remaining areas of internal control review, which cover, inter alias, the acquisition transactions in the years 2004 and 2007. The Independent Board of the Company is currently considering the findings and recommendations as made by the independent accounting firm, and will prepare a detailed report to the Stock Exchange in respect of the issues of internal control system and corporate governance practices of the Group in order to substantiate the Company's application of lifting the suspension of trading of the Company's shares on the Stock Exchange. The Company will keep the shareholders and investors informed of the progress in this matter as soon as practicable.

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

Through the hard work and foundations which we have laid down in the past few years, we gradually see the realization and payoff of our efforts and resources invested. We are more experienced with the new and tide controlled tender system for pharmaceutical sourcing networks. More tenders have been successfully won and sales have been significantly increased for both imported and self-manufactured products. Our well-trained and specialized marketing team has shown their vitality and strength and sales growth are prominent in the first half of the financial year ending 31 March 2009.

Turnover saw significant growth by about 30.5% from about HK$69.8 million in the 2007 Interim Period to about HK$91.1 million in the 2008 Interim Period. The increases in turnover was mainly attributed to the double-digits rises in sales for both the imported and self-manufactured products.

Gross profit have also shown significant growth by about 13.3% from about HK$18.6 million in the 2007 Interim Period to about HK$21.1 million in the 2008 Interim Period. Both sectors of pharmaceuticals recorded remarkable increases in profit margin.

Nevertheless, as a result of severe price competition, which was intensified by the tender system as well as pressures on our materials and production costs, the overall gross margin has been narrowed by 3.5% from about 26.6% in the 2007 Interim Period to about 23.1% in the 2008 Interim Period.

Operation profit recorded an increase by about HK$2.3 million from about breakeven in the 2007 Interim Period to about HK$2.3 million in the 2008 Interim Period.

Imported Pharmaceutical Sector

Sales of imported pharmaceutical products surged by approximately HK$13.4 million, representing 25.7% from about HK$52.4 million in the 2007 Interim Period to about HK$65.8 million in the 2008 Interim Period. Sales growth is mainly contributed by the increase in sales of GM-1, our block buster central nervous system drug, by approximately HK$5.7 million and the increase in sales of Skin Cap, an international renowned skin treatment drug, by approximately HK$7.5 million.

Segmented profit also surged by approximately HK$1.3 million, representing29.0% from about HK$4.5 million in the 2007 Interim Period to about HK$5.8 million in the 2008 Interim Period.

Segmented profit margin in the 2007 Interim Period was about 8.5% and that in the 2008 Interim Period was about8.8%. The marginal increase was due to the appropriate control on the operation costs and expenses.

Manufactured Pharmaceutical Sector

Sales of self-manufactured pharmaceutical products surged by approximately HK$7.9 million, representing 45.1% from about HK$17.4 million in the 2007 Interim Period to about HK$25.3 million in the 2008 Interim Period. Sales growth are mainly contributed by the increase in sales of product category; our major immune regulatory product which could effectively boost up the human immune system, by approximately HK$4.2 million and the increase in sales of our anti-thrombotic drug, by approximately HK$3.6 million.

Segmented profit also surged by approximately HK$3.0 million, turning from a loss of about HK$1.3 million in the 2007 Interim Period to profit of about HK$1.7 million in the 2008 Interim Period.

Segmented profit margin has been turned from loss margin of about 7.6% in the 2007 Interim Period to profit margin about 6.8% in the 2008 Interim Period. This was benefited from the capture of a larger market share.

Oral Insulin Sector

As further clinical trial is under progress, no revenue was recorded in this interim period.

Gene Development Sector

During this interim period, our gene development sector remains inactive and no revenue was recorded.

Selling and Distribution Expenses

Selling and distribution expenses increased slightly by approximately HK$0.9 million, representing an increment of 12.0% from about HK$8.1 million in the 2007 Interim Period to about HK$9.0 million in the 2008 Interim Period.

Higher selling and distribution expenses increased in line with increase in turnover.

General and Administrative Expenses

General and administrative expenses increased by approximately HK$1.7 million, representing an increment of 14.2% from about HK$12.1 million in the 2007 Interim Period to about HK$13.8 million in the 2008 Interim Period.

Higher general and administrative expenses were mainly due to increase in staff costs, rental and other professional expenses.

Other Income and Expenses

Increase in other income mainly represented by consultancy services provided to other factories.

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 banker in Hong Kong. Its principal banker is Industrial and Commercial Bank of China (Asia) Limited. As at 30 September 2008, the Group had total cash and bank balances (including pledged bank deposits) of about HK$106.3 million (31 March 2008: HK$90.4 million), representing an increase by approximately 17.6%.

The Group has kept its borrowing at a minimal level. As at 30 September 2008, the Group had repaid all bank borrowings (31 March 2008: nil). The Group's banking facilities were supported by the pledge of the Group's fixed deposits of about HK$20.2 million (31 March 2008: HK$18.2 million) and corporate guarantees from the Company and certain subsidiaries of the Company. The unutilized banking facilities amounted to approximately HK$8.3 million (31 March 2008: HK$20.5 million). Effective rates of the Group's borrowings during the period were 5% per annum. There is no seasonality in borrowing requirement of the Group. There were no significant changes in loan structure of the Group during the period.

The Group's total borrowing over total assets ratio as at 30 September 2008 was 0.05 (31 March 2008: 0.05), calculated based on the Group's total debts of about HK$32.4 million (31 March 2008: HK$32.4 million), comprising amount due to a minority shareholder of about HK$32.4 million (31 March 2008: HK$32.4 million) over the Group's total assets of about HK$637.5 million (31 March 2008: HK$619.6 million).

All of the Group's borrowings during the period are mainly denominated 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.

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 2008, 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 as a result of the prolonged process for completing the registration of the Medicine.

Further details of the SP Agreement and the Cooperation Agreement, and the progress of the application for registration of the Medicine are set out in the Company's circular and announcement dated 18 December 2006 and 6 November 2008 respectively.

(b) At 30 September 2008, corporate guarantees totaling HK$18 million were given by the Group to banks in connection with banking facilities provided to certain of the Company's subsidiaries, and approximately HK$9.7 million of the facilities had been utilized.

(c) At 30 September 2008, the Company had provided corporate guarantee in favour of a subsidiary (the "Subsidiary") to a landlord that the Subsidiary would duly observe the terms and pay the monies, being the total rental, expenses, management fee and utility charges of approximately HK$5.0 million for the entire lease period starting from March 2008, contained in the tenancy agreement signed between the landlord and the Subsidiary.

Outlook

Oral Insulin

Pursuant to approval documents granted on 30 April 2008 and at the suggestion of State Food and Drug Administration ("SFDA") of the PRC, the Group will undertake further clinical trial on the Oral Insulin Enteric-Coated Soft Capsules (the "Medicine"). The Company is positive to the registration of the Medicine upon completing the further clinical trial.

Given the prolonged process for completing the registration of the Medicine, completion of the construction of the pharmaceutical plant pursuant to the Cooperation Agreement and the acquisition thereof under the SP Agreement (details of the Cooperation Agreement and the SP Agreement are set out in the Company's circular dated 18 December 2006) by the Group have been postponed. The parties to the Cooperation Agreement and the SP Agreement are in the course of negotiation for a revised timetable for the construction of the aforesaid plant and the completion date of this acquisition.

Import Drug License

As an integrated pharmaceutical manufacturer and distributor, the Group is committed to improve the quality of life by providing new pharmaceutical products that lead the world to a healthy and enjoyable life. The following products are under negotiation and development:

a. Epigen, an anti-viral product which is used for herpes infections.

b. Skin-cap Cream — it can be used in combination with our existing Skin-cap Spray resulting in a better therapeutic effect.

c. Certain Ophthalmic products including (1) lubricant eye drops for dryness, burning and ocular fatigue, (2) viscoelastic solution for use as a surgical aid in surgery of the anterior and posterior segments of the eye, and (3) Viscous masking and wetting solution used in excimer laser surgery and other surgical procedures.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2008, the Group had 469 employees (30 September 2007: 367). Staff costs excluding directors remuneration and included those charged in the cost of sales for the six months ended 30 September 2008 amounted to approximately HK$9.0 million (six months ended 30 September 2007: approximately HK$8.0 million).

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

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 2008, 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 2008, 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.

REMUNERATION COMMITTEE

The Remuneration Committee, which comprised of three INEDs and Dr. Xie Yi, an executive director, was formed 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 2008.

By Order of the Board
Extrawell Pharmaceutical Holdings Limited
Mao Yu Min
Chairman

Hong Kong, 22 December 2008

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

* *For identification purpose only*