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EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED

精優藥業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 00858)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

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 2009, together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2009 (Unaudited) HK\$'000	At 31 March 2009 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	3	50,762	53,252
Prepaid land lease payments		14,162	14,428
Intangible assets	2	285,398	285,676
Amounts due from minority shareholders	9	9,417	9,054
		359,739	362,410
CURRENT ASSETS			
Inventories		22,595	28,291
Trade receivables	4	89,103	89,675
Deposits, prepayments and other receivables	2	61,630	64,455
Amounts due from minority shareholders	9	3	3
Pledged bank deposits	5	20,546	20,498
Bank and cash balances		101,965	80,718
		295,842	283,640
TOTAL ASSETS		655,581	646,050

		At 30 September 2009 (Unaudited) HK\$'000	At 31 March 2009 (Audited) HK\$'000
	<i>Notes</i>		
CAPITAL AND RESERVES			
Share capital	6	22,900	22,900
Reserves		<u>307,178</u>	<u>299,272</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
		330,078	322,172
MINORITY INTERESTS			
		<u>214,722</u>	<u>214,832</u>
TOTAL EQUITY			
		<u>544,800</u>	537,004
NON-CURRENT LIABILITIES			
Amounts due to minority shareholders	9	14,597	13,672
Deferred tax liabilities	7	<u>102</u>	<u>102</u>
		<u>14,699</u>	13,774
CURRENT LIABILITIES			
Trade and bills payables	8	11,754	10,401
Accruals and other payables		42,196	44,563
Amounts due to minority shareholders	2	34,103	32,847
Dividend payable to minority shareholders		505	1,298
Current tax liabilities		<u>7,524</u>	<u>6,163</u>
		<u>96,082</u>	95,272
TOTAL EQUITY AND LIABILITIES			
		<u>655,581</u>	<u>646,050</u>
NET CURRENT ASSETS			
		<u>199,760</u>	<u>188,368</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>559,499</u>	<u>550,778</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	For the six months ended 30 September	
		2009 (Unaudited) <i>HK\$'000</i>	2008 (Unaudited) <i>HK\$'000</i>
Turnover	10	101,337	91,092
Cost of sales		<u>(71,872)</u>	<u>(69,583)</u>
Gross profit		29,465	21,509
Other revenues		2,671	3,693
Selling and distribution expenses		(8,019)	(9,031)
Administrative expenses		<u>(13,991)</u>	<u>(13,851)</u>
Profit from operations	12	10,126	2,320
Finance costs		<u>—</u>	<u>(2)</u>
Profit before taxation		10,126	2,318
Taxation	13	<u>(2,330)</u>	<u>(2,948)</u>
Profit/(Loss) for the period		<u><u>7,796</u></u>	<u><u>(630)</u></u>
Other comprehensive income for the period:			
Currency translation		<u>—</u>	<u>5,891</u>
Total comprehensive income for the period		<u><u>7,796</u></u>	<u><u>5,261</u></u>
Profit/(Loss) for the period attributable to:			
Owners of the Company		7,906	(1,671)
Minority interests		<u>(110)</u>	<u>1,041</u>
		<u><u>7,796</u></u>	<u><u>(630)</u></u>
Dividend	14	<u>—</u>	<u>—</u>
Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company during the period	15		
— Basic		<u><u>HK0.35 cent</u></u>	<u><u>HK(0.073) cent</u></u>
— Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL 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, as modified by the revaluation of investments and derivatives which are carried at their fair values.

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 2009. The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2009.

HKAS 1 (Revised 2007) "Presentation of Financial Statements" has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, an introduction of condensed consolidated statement of comprehensive income, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 "Operating Segments" is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, segment information was presented by way of the Group's business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the reportable segments determined in accordance with HKAS 14 (see note 11).

The adoption of the new and revised HKFRSs has had no material effect on the reported results and 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 or revised standards, amendments or 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.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised 2008)	Business Combinations ¹
HK(IFRIC) Interpretation 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) Interpretation 18	Transfers of Assets from Customers ⁴

¹ Effective for annual periods beginning on or after 1 July 2009

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. The adoption of HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The Directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. MODIFIED AUDIT OPINION — 31 MARCH 2009 AUDITED FINANCIAL STATEMENTS

There were two significant matters highlighted in the Independent Auditors' Report for the 31 March 2009 audited financial statements of the Group in relation to:

- (i) technological know-how of an amount approximately HK\$284,260,000 (30 September 2009: HK\$284,260,000) as included in "Intangible assets"; and
- (ii) amounts each of about HK\$31,780,000 (30 September 2009: HK\$31,780,000) included in "Deposits, prepayments and other receivables" as current asset and "Amounts due to minority shareholders" as current liability respectively.

The emphasis of the aforesaid significant matters as stated in the auditors' report is now reproduced as below:

(i) technological know-how of an amount approximately HK\$284,260,000

- "a. As set out in note 20 to the financial statements, included in Intangible Assets as at 31 March 2009 is the technological know-how with the carrying value of approximately HK\$284,260,000 (2008: HK\$284,260,000) (the "Know-how") in relation to an oral insulin product (the "Product") and the exclusive right for the commercialization of the Product owned by the Group. The Know-how is held by an indirect subsidiary of the Group, Fosse Bio-Engineering Development Limited ("Fosse Bio"), a company in which also an indirect subsidiary of the Group, Smart Ascent Limited ("Smart Ascent") had acquired a 51% interest in November 2003, and through the Group's acquisition of a 51% interest in Smart Ascent in March 2004. In an appraisal conducted by an independent professional valuer, the Know-how is valued at an amount that is no less than HK\$284,260,000. Notwithstanding this valuation, the recoverability of the carrying value of the Know-how is still uncertain as it depends upon the result of the clinical trial and the successful launching of the product. Should the outcomes of the clinical trial and the launching of the product be unsuccessful, material adjustments may have adverse effect on the business and results of the Group.

(ii) amount of approximately HK\$31,780,000

“b. As set out in note 21(c) to the financial statements, in connection with the acquisition of the shares of Fosse Bio as referred to in the above paragraph, Smart Ascent owed the vendors of the sales of the 51% interest of Fosse Bio (the “Fosse Bio Vendors”) the amount of HK\$31,780,000 (2008: HK\$31,780,000), being the third and fourth installments of the consideration for the 51% interest of Fosse Bio. The repayment of these two installments is to be made upon the issuance of certain certificates of the clinical trial as well as the Product by the State Food and Drug Administration of the PRC. At the time when the Group acquired the 51% interest in Smart Ascent, this liability continues to exist but the vendors of the sales of the 51% interest of Smart Ascent (the “Smart Ascent Vendors”) undertook to pay the full HK\$31,780,000 as and when the amount becomes due and payable. As security for this undertaking, Mr. Ong Cheng Heang (“Mr. Ong”), a minority shareholder of Smart Ascent pledged to the Group his shares of Smart Ascent representing the balance of the 49% interest in Smart Ascent. There is no assurance that the Smart Ascent Vendors are capable of repaying the full HK\$31,780,000. While this risk of recoverability is mitigated by the shares representing the 49% interest in Smart Ascent, the risk continues to exist in the event that the Group fails to realize the profitability from the Product as mentioned in the above paragraph, it would suffer a further loss in respect of this amount of HK\$31,780,000. In addition, the Group has entered into an agreement to acquire from Mr. Ong the pledged of his 49% interest. Similar to the matter mentioned in Paragraph (a) above, the risks in relation to the Product will affect the Group’s ability to recover the payment for the liability of HK\$31,780,000.

Having considered the availability of the appraisal report by the independent professional valuer of the value of the Know-how and the disclosure in the notes to the financial statements, we consider the uncertainty as to the risks associated with the assets as mentioned in the above two paragraphs to be adequately disclosed in the financial statements and do not find it necessary to make further qualifications in this report in respect of the value of the Know-how or the receivables.”

3. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2009, the Group acquired property, plant and equipment at a cost of approximately HK\$218,000. The Group has no disposal of property, plant and equipment during the six months ended 30 September 2009.

4. TRADE RECEIVABLES

The Group’s trading terms with its customers are mainly based on credit, except for new customers, where payment in advance is normally required. The credit period is generally 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 is as follows:

	At 30 September 2009 (Unaudited) HK\$’000	At 31 March 2009 (Audited) HK\$’000
Within 90 days	50,007	54,218
Between 91 to 180 days	18,670	20,690
Between 181 to 365 days	12,623	14,559
Between 1 to 2 years	7,734	181
Over 2 years	69	27
	<u>89,103</u>	<u>89,675</u>

5. PLEDGED BANK DEPOSITS

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

6. SHARE CAPITAL

	At 30 September 2009 (Unaudited) HK\$'000	At 31 March 2009 (Audited) HK\$'000
<i>Authorised:</i>		
20,000,000,000 ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
2,290,000,000 ordinary shares of HK\$0.01 each	<u>22,900</u>	<u>22,900</u>

7. DEFERRED TAX LIABILITIES

The movement of deferred tax liabilities arising from accelerated tax depreciation is as follows:

	<i>HK\$'000</i>
At 1 April 2009 (Audited)	102
Deferred tax charged for the period (Unaudited)	<u>—</u>
At 30 September 2009 (Unaudited)	<u>102</u>

At 30 September 2009, the Group has unused tax losses arising in Hong Kong and the PRC of approximately HK\$3,582,000 (31 March 2009: HK\$3,580,000) and HK\$3,626,000 (31 March 2009: HK\$3,346,000) 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.

8. TRADE AND BILLS PAYABLES

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

	At 30 September 2009 (Unaudited) HK\$'000	At 31 March 2009 (Audited) HK\$'000
Within 90 days	10,971	6,551
Between 91 to 180 days	576	3,174
Between 181 to 365 days	182	413
Between 1 to 2 years	19	263
Over 2 years	<u>6</u>	<u>—</u>
	<u>11,754</u>	<u>10,401</u>

9. AMOUNTS DUE FROM/(TO) MINORITY SHAREHOLDERS

The non-current portion of amounts due from minority shareholders represents contributions to the working capital and operation fund for the further clinical trial of the Oral Insulin Project, and the current portion represents an amount due from Mr. Hou Shi Chang, a shareholder of Fosse Bio-Engineering Development Limited, the Group's indirectly owned subsidiary.

The amounts due from minority shareholders are unsecured, interest-free and have no fixed term of repayment.

10. TURNOVER

The Group's turnover comprises the followings:

	For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Manufacturing of pharmaceutical products	22,716	25,285
Trading of pharmaceutical products	78,621	65,807
	<u>101,337</u>	<u>91,092</u>

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

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the board of directors) in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard, HKAS 14 required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was by business segments, and no further geographical segment information was presented as over 90% of the Group's revenue was derived from customers based in the PRC, and over 90% of the Group's assets and capital expenditures were located in the PRC. The application of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's reporting segments include:

- (a) the manufacturing segment engages in the development, manufacture and sales of pharmaceutical products;
- (b) the trading segment engages in the marketing and distribution of imported pharmaceutical products;
- (c) the oral insulin segment engages in the development and commercialization of oral insulin products; and
- (d) the gene development segment engages in the commercial exploitation and development of genome-related technology.

The following is an analysis of the Group's revenues and results by operating segments for the period under review:

	(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	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	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	22,716	25,285	78,621	65,807	—	—	—	—	101,337	91,092
Segment results	458	1,728	15,726	5,761	(788)	(212)	(32)	(66)	15,364	7,211
Bank interest income									373	654
Net unallocated expenses									(5,611)	(5,545)
Profit from operations									10,126	2,320
Finance costs									—	(2)
Profit before taxation									10,126	2,318
Taxation									(2,330)	(2,948)
Profit/(Loss) for the period									7,796	(630)
Attributable to:										
Owners of the Company									7,906	(1,671)
Minority interests									(110)	1,041
									7,796	(630)

12. PROFIT FROM OPERATIONS

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

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of goods sold	71,872	69,583
Depreciation and amortisation of property, plant and equipment and prepaid land lease payments	2,708	2,789
Amortisation of intangible assets	266	271
Compensation for key management personnel including amounts paid to the Directors and senior executives:		
— Fees, salaries and other benefits	939	1,955
— Pension scheme contributions	6	6
Loss on disposal of property, plant and equipment and intangible assets, net	—	142
Exchange loss/(gain), net	365	(497)
Interest income on bank balances	(373)	(654)

13. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the period ended 30 September 2009. Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Under the PRC Enterprise Income Tax Law, the PRC corporate income tax has been standardized at the rate of 25%. However, certain of the Company's subsidiaries operating in the PRC have enjoyed the preferential tax treatment and are now subject to the corporate income tax at the rate of 20% in year 2009, which will gradually increase to the standard rate of 25% by year 2012.

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 2009 and 2008.

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong	121	41
Current — Outside Hong Kong	2,209	2,907
Total tax charge for the period	2,330	2,948

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, and the tax expenses at the effective tax rates, is as follows:

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before taxation	<u>10,126</u>	<u>2,318</u>
Tax at the statutory tax rates applicable to the respective tax jurisdictions	(910)	(61)
Preferential statutory rate offered	62	60
Expenses not deductible for tax including companies with tax losses	3,197	2,938
(Over)/Under-provision of profits tax of prior years	<u>(19)</u>	<u>11</u>
Tax charge for the period	<u>2,330</u>	<u>2,948</u>

14. DIVIDEND

The Directors do not recommend the payment of any interim dividend in respect of the six months ended 30 September 2009 (six months ended 30 September 2008: nil).

15. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the profit attributable to the owners of the Company for the six months ended 30 September 2009 of HK\$7,906,000 (Loss to six months ended 30 September 2008: HK\$1,671,000) and on 2,290,000,000 (2008: 2,290,000,000) shares in issue during the six months ended 30 September 2009.

There were no potential diluted ordinary shares in existence for each of the six months ended 30 September 2009 and 2008 and accordingly, no diluted earnings per share has been presented.

16. CONTINGENT LIABILITIES

At 30 September 2009, 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\$5.9 million of the facilities had been utilized.

17. COMMITMENTS

(a) Operating lease commitments

At 30 September 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 September 2009 (Unaudited) HK\$'000	At 31 March 2009 (Audited) HK\$'000
Within one year	1,710	1,710
In the second to fifth years, inclusive	712	1,567
	2,422	3,277

Operating lease payments represent rental payable by the Group for certain of its offices. Leases are negotiated for terms ranging from one to three years and rentals are fixed over the leases terms and do not include contingent rentals.

(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”), 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 certificate of new medicine 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 approval of these interim financial statements. Upon the Group acquiring an aggregate of 51% equity interest in Smart Ascent from the Vendors in March 2004, 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 and at the date of approval of these interim financial statements.

As at 31 March and 30 September 2009, the Group had a commitment to advance an interest-free loan to Fosse Vendor and/or other shareholders 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) On 19 October 2006, Sea Ascent Investment Limited (“Sea Ascent”), Welly Surplus Development Limited (“Welly Surplus”), an indirect non-wholly owned subsidiary of the Company, and Fosse Bio-Engineering Development Limited (“Fosse Bio”), also an indirect non-wholly owned subsidiary of the Company, entered into a cooperation agreement (the “Cooperation Agreement”) in connection with the cooperation (the “Cooperation”) between Sea Ascent and Welly Surplus in respect of the followings:
- (1) Sea Ascent shall procure its wholly owned subsidiary, Joy Kingdom Industrial Limited (“Joy Kingdom”), to establish a wholly foreign owned enterprise in the PRC under the name of 江蘇派樂施藥業有限公司 (Jiangsu Prevalence Pharmaceutical Limited) (“Jiangsu Prevalence”);
 - (2) Sea Ascent shall advance a sum equivalent to RMB40 million to Joy Kingdom by way of an unsecured, non-interest bearing shareholder’s loan (“Shareholder’s Loan”) for the payment of the registered capital of Jiangsu Prevalence and the acquisition of land and construction of a factory (the “Plant”) at Pi Zhou City, Jiangsu, the PRC for the production of the Group’s Oral Insulin Enteric-Coated Soft Capsules (the “Medicine”);
 - (3) Subject to Sea Ascent’s performance of its obligations as aforesaid and completion of the acquisition of Joy Kingdom by Welly Surplus, Welly Surplus shall procure Joy Kingdom or Jiangsu Prevalence, if so agreed, to pay to Sea Ascent, during a period of six years from the date on which the Medicine is launched for sales in open market (the “Initial Operating Period”), a fee at RMB6 cents for each capsule of the Medicine produced (subject to a maximum fee of RMB180 million for each year and deductions as specified in the Cooperation Agreement); and
 - (4) Unless the New Medicine Certificate in respect of the Medicine has not been granted by the relevant PRC authorities, Welly Surplus shall procure Fosse Bio to allow the manufacturing of the Medicine by Jiangsu Prevalence and to assist Jiangsu Prevalence to obtain the relevant Pharmaceutical Manufacturing Permit (藥品生產許可證) for the manufacture of the Medicine during the Initial Operating Period.
- (iii) Under the Cooperation Agreement, Fosse Bio has agreed to guarantee the due performance by Welly Surplus of its obligations and liabilities (“Secured Liabilities”) as mentioned in the above paragraphs, provided that the maximum liability of Fosse Bio under such guarantee shall not exceed 51% of the Secured Liabilities. The Cooperation Agreement became effective upon the shareholders’ approval in the special general meeting of the Company held on 3 January 2007, until the expiry of the Initial Operating Period.

On 19 October 2006, Sea Ascent and Welly Surplus also entered into a sale and purchase agreement (the “SP Agreement”) pursuant to which Sea Ascent agreed to sell and Welly Surplus agreed to acquire (i) the entire share capital (the “Sale Share”) in Joy Kingdom and (ii) the Shareholder’s Loan at considerations of RMB40 million and HK\$1 respectively (the “Consideration”). The completion of the SP Agreement was subject to, among other conditions, approval of the SP Agreement by the Company’s shareholders, the Cooperation Agreement becoming effective and the completion of the construction of the Plant by Jiangsu Prevalence in accordance with the terms of the Cooperation Agreement. The SP Agreement was approved in the special general meeting of the Company held on 3 January 2007. On 8 April 2009, Welly Surplus and Sea Ascent signed a confirmation, whereby both parties agreed to extend the long stop date of the SP Agreement from 30 November 2007 to 30 June 2010. The SP Agreement has not yet become unconditional and the Consideration has not yet been due and paid up to the date of approval of these interim financial statements.

- (iv) At 30 September 2009, 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.

18. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the disclosures elsewhere in these interim financial statements, the related party transactions as entered into by the Group are as follows:

- (i) At the time when the Group acquired the 51% interest in Smart Ascent as stated previously in Note 17(b)(i) above, the Group, without knowing the relationship, failed to disclose that the Vendors are the respective son-in-law and daughter-in-law of Mr. Ho Chin Hou, a former executive director of the Company who had resigned as director with effect from 12 March 2009, and that the acquisition of the 51% interest in Smart Ascent (the “2004 Transaction”) constituted a connected transaction under the Listing Rules. Pursuant to a special general meeting of the Company held on 8 June 2009, an ordinary resolution was passed to ratify and approve this acquisition.
- (ii) On 27 July 2007, the Group entered into a sale and purchase agreement with Mr. Ong Cheng Heang (“Mr. Ong”) one of the aforesaid Vendors to acquire from him the remaining 49% interest in the shares of Smart Ascent, at the consideration of HK\$768,900,000 which would be satisfied by allotting 300,000,000 ordinary shares of the Company with the nominal value of HK\$0.01 at the issuing price of HK\$2.563 each (the “2007 Transaction”). This transaction was approved in a special general meeting of the Company held on 20 September 2007. Notwithstanding that the relationship as stated in the above paragraph was disclosed, prior to the said general meeting, in an announcement dated 17 September 2007, the Stock Exchange requested the Company to convene another special general meeting after the ratification of the 2004 Transaction to re-approve this acquisition. This special general meeting requested by the Stock Exchange has not been held at the date of issuance of these interim financial statements. As the 2007 Transaction has not yet been completed, Smart Ascent was accounted for as a 51% owned subsidiary of the Company as at 30 September 2009.
- (iii) During the six months period ended 30 September 2009, the Group had made advances totalling about HK\$192,000 to Smart Ascent for its working capital requirements and operating expenses, and no further advance has been made up to the date of approval of these interim financial statements. These advances are unsecured, non-interest bearing and repayable upon demand. In accordance with Chapter 14A of the Listing Rules, each of these advances made during the period under review as well as those made during the five years ended 31 March 2009 constituted a connected transaction which should have been subject to the reporting, announcement and independent shareholders’ approval requirements. Details as to the advances made by the Group to Smart Ascent during the five years ended 31 March 2009 together with the advances made during the period are set out in the Company’s announcement dated 14 August 2009. The Company will disclose the relevant information as required under Rule 14A.45 of the Listing Rules in its annual report for the year ending 31 March 2010.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2009, 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

Name of director		Number of shares of HK\$0.01 each held, capacity and nature of interest			Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporations	Total	
Mao Yu Min	<i>Notes</i>	—	480,000,000	480,000,000	20.96
Xie Yi	<i>Notes</i>	—	480,000,000	480,000,000	20.96

Notes: 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 is 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 owns 80% of the share capital of FPL.

2. Long positions in shares of associated corporations

Name	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 (<i>note</i>)	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 one of the beneficial shareholders of EHL, who had resigned as director of the Company on 12 March 2009.

Save as disclosed above, as at 30 September 2009, 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 these interim financial statements, 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 2009, 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 ordinary 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 is 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 owns 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 section “Directors’ interests and short positions in shares and underlying shares” above.

- (2) Mr. Ong Cheng Heang is interested in the 300,000,000 ordinary 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 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 2009, 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 PRACTICES AND INTERNAL CONTROL REVIEW

Corporate Governance Practices

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 2009 except for the deviations as follows. Reference could be made to the Company’s annual report for the year ended 31 March 2009 for other disclosure matters.

- (a) Code provisions A1.3 and A6.1 stipulate 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 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 this 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 considers 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.

The Company will continue to review and monitor the situation as stated above, and to improve the practices as and when the circumstances demand.

Internal Control Review

Reference is made to the Company's announcement dated 31 October 2007 regarding the appointment of an independent firm for conducting an internal control review in respect of the financial, operational, compliance control and risk management functions of the Group, and also to the annual reports for years ended 31 March 2008 and 2009 regarding its status quo.

RSM Nelson Wheeler Consulting Limited ("RSM Consulting"), an independent professional firm completed its review and submitted to the Independent Board of the Company their reports on the findings of the weaknesses and deficiencies in the internal control system of the Group in March 2008 (the "First Report") and the internal control measures relating to the 2004 Transaction, the 2007 Transaction and other transactions entered into by the Group for the four years ended 31 March 2007 in December 2008 (the "Second Report").

The Independent Board accepted, where appropriate, the findings and recommendations made by RSM Consulting in the First and Second Reports, and in response to these recommendations, the Company had undertaken various measures to improve and strengthen its internal control system.

In addition, the Company had engaged Baker Tilly Hong Kong Business Services Limited ("Baker Tilly"), an independent professional consultancy firm to conduct an annual review of the effectiveness of the Company's internal control system and to perform follow-up reviews on the status of implementation of recommendations made by RSM Consulting.

Based on the assessments made by Baker Tilly in June and September 2009, the Company had set up sound and effective internal control mechanism and had undertaken various measures in response to the recommendations made by RSM Consulting in the First and Second Reports in order to improve its internal control system, with room for further improvement.

On 21 July 2009, the Company submitted a detailed report as prepared by the Independent Board 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 issue an announcement when it has fulfilled all the resumption conditions and notify shareholders of the date on which trading in the shares will be resumed.

Model Code for Securities Transactions by Directors of Listed Issuers

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

Overall Performance

Despite persistent challenges to the global economy, the Group has benefited from the swiftly stabilized China's economy as a result of the positive effects on both its huge economic stimulus package and the healthcare reforms spending.

For the six months period ended 30 September 2009, the Group's turnover increased to about HK\$101.3 million, representing an increase of 11.3% as compared with the corresponding period of last year. The increase in turnover was mainly attributed to the double-digit rise in sales for the imported products, which outweighed the decrease in sales of self-manufactured products.

The healthcare reforms have led to consumption upgrade of the pharmaceutical market in China, which increased the demand on our imported pharmaceutical products. However, on the other hand, the reforms have also led to a more severe competition of our self-manufactured products, which are driven largely by price-based competition.

The significant growth in gross profit from about HK\$21.5 million to about HK\$29.5 million, representing an increase of HK\$8.0 million which was attributable to the contribution from increase in sales and gross profit of imported pharmaceutical products.

The Group's administrative, selling and distribution expenses were in aggregate of about HK\$22.0 million (2008: HK\$22.9 million), which was maintained at similar level as compared with the corresponding period of last year.

During the period under review, the Group's profit attributable to the owners of the Company was about HK\$7.9 million, representing an increase of about HK\$9.6 million as compared to loss of about HK\$1.7 million in 2008, resulting from increase in turnover and gross margin.

Imported Pharmaceutical Sector

Sales of imported pharmaceutical products increased by approximately HK\$12.8 million, representing 19.5% from about HK\$65.8 million in the 2008 Interim Period to about HK\$78.6 million in the 2009 Interim Period. The increase was due to increase in sales of our quality products for central nervous system and dermatitis by about HK\$7.0 million and HK\$4.3 million respectively.

Segment profit surged to about HK\$15.7 million, representing 173.0% increase from about HK\$5.8 million in the 2008 Interim Period.

Segment profit margin in the 2008 Interim Period was about 8.8% and that in the 2009 Interim Period was about 20.0%. This sharp increase was due to the strict budgetary control to maintain the selling and distribution expenses, which did not increase in proportion to the increase in sales.

Manufactured Pharmaceutical Sector

Sales of self-manufactured pharmaceutical products decreased by approximately HK\$2.6 million, representing 10.2% drop from about HK\$25.3 million in the 2008 Interim Period to about HK\$22.7 million in the 2009 Interim Period. The decrease was mainly due to price adjustments, which were made in line with market trends.

Segment profit margin decreased from about 6.8% in the 2008 Interim Period to about 2.0% in the 2009 Interim Period as a result of decrease in turnover and income from consultant services provided to other factories.

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, gene development sector remains inactive and no revenue was recorded.

Selling and Distribution Expenses

Selling and distribution expenses decreased to about HK\$8.0 million, representing a drop of HK\$1.0 million or 11.2% as compared to HK\$9.0 million in the 2008 Interim Period.

The decrease reflected the effective measures to control marketing and promotion expenses not to increase in proportion to the sales growth.

Administrative Expenses

Administrative expenses remained relatively stable when compared to the 2008 Interim Period; whereby it slightly increased from about HK\$13.9 million to HK\$14.0 million in the 2009 Interim Period, representing an increase of 1.0%.

Other Revenues

Other revenues decreased by about HK\$1.0 million from about HK\$3.7 million in the 2008 Interim Period to about HK\$2.7 million in the 2009 Interim Period, representing a drop of about 28.0%. The decrease was due to a decrease in bank interest income and income from consultant 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 that may lead to lower Group's turnover and profit for the months in which these holidays are declared. There is no seasonal and cyclical factor for its borrowing requirements.

Financial Review

The Group generally finances its operations with internally generated cash flow and facilities granted by its principal banker in Hong Kong. Its principal banker is Industrial and Commercial Bank of China (Asia) Limited. As at 30 September 2009, the Group had total cash and bank balances (including pledged bank deposits) of about HK\$122.5 million (31 March 2009: HK\$101.2 million), representing an increase by approximately 21.0%.

The Group did not have bank borrowings as at 30 September 2009 (31 March 2009: Nil) but with banking facilities on trade finance, which were supported by the pledge of the Group's fixed deposits of about HK\$20.5 million (31 March 2009: HK\$20.5 million) and corporate guarantees from the Company and certain subsidiaries of the Company. The unutilized banking facilities amounted to approximately HK\$12.1 million (31 March 2009: HK\$12.7 million). In general, there is no significant seasonality fluctuation on trade finance requirement of the Group.

The Group's total borrowing over total assets ratio as at 30 September 2009 was 0.05 (31 March 2009: 0.05), calculated based on the Group's total debts of about HK\$34.1 million (31 March 2009: HK\$32.8 million), comprising amount due to a minority shareholder of about HK\$32.4 million (31 March 2009: HK\$32.4 million) over the Group's total assets of about HK\$655.5 million (31 March 2009: HK\$646.1 million).

The Group's business transactions, assets and liabilities are principally dominated in Hong Kong dollars, United States dollars and Renminbi. The Group had limited exposure to foreign exchange rate fluctuation as most of its transaction, 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.

Outlook

Whilst China's RMB850 billion governmental investment in healthcare reforms, which is expected to fuel the pharmaceutical industry, has been gradually in place and the reforms have become deepened with implementation of various measures, pharmaceutical enterprises have undergone consolidation to enhance their competitiveness and share in the enlarging market place, which have brought both challenges and opportunities to the Group.

The Group will continue its best efforts in leveraging cost and quality as well as strengthening its products in response to the intense competition arising from the reforms and will strive to maintain growth momentum for the year. Further, the Group has been allocating its resources in the development of oral insulin project that it has been consolidating and making adjustments for the best implementation plan for the further clinical trial having sought consultation and advice from experts and officials of relevant authorities, to provide a more solid foundation for its success. The Group has also taken a positive and optimistic view to the success of its future development.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2009, the Group had 431 employees (30 September 2008: 469). Staff costs excluding directors' remuneration and included those charged in the cost of sales for the six months ended 30 September 2009 amounted to approximately HK\$8.7 million (six months ended 30 September 2008: approximately HK\$9.0 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 2009, 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 2009, 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 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 of the Group for the six months ended 30 September 2009.

REMUNERATION COMMITTEE

The Remuneration Committee, which comprised 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 2009.

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

Hong Kong, 21 December 2009

* *For identification purpose only*