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 2010

The board of directors (the "Board") of Extrawell Pharmaceutical Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 September 2010 (Unaudited)** *HK$'000*	At 31 March 2010 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**47,511**	50,045
Prepaid land lease payments		**13,368**	13,634
Intangible assets	*3*	**287,046**	287,186
Amounts due from minority shareholders	*8*	**9,598**	9,598
		357,523	360,463
CURRENT ASSETS			
Inventories		**18,854**	23,121
Trade receivables	*5*	**109,432**	84,756
Deposits, prepayments and other receivables	*3, 4*	**63,964**	60,304
Amount due from a minority shareholder	*8*	**3**	3
Pledged bank deposits		**20,667**	20,579
Cash and cash equivalents		**116,252**	104,987
		329,172	293,750
TOTAL ASSETS		**686,695**	654,213

	Notes	At 30 September 2010 (Unaudited) *HK$'000*	At 31 March 2010 (Audited) *HK$'000*
CAPITAL AND RESERVES			
Share capital	*6*	**22,900**	22,900
Reserves		**327,158**	313,896
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**350,058**	336,796
NON-CONTROLLING INTERESTS		**213,616**	213,290
TOTAL EQUITY		**563,674**	550,086
NON-CURRENT LIABILITIES			
Amounts due to minority shareholders	*8*	**16,184**	14,493
Deferred tax liabilities		**102**	102
		16,286	14,595
CURRENT LIABILITIES			
Trade and bills payables	*7*	**13,055**	8,479
Accruals and other payables		**59,160**	46,312
Amounts due to minority shareholders	*3*	**32,531**	32,570
Tax payables		**1,989**	2,171
		106,735	89,532
TOTAL EQUITY AND LIABILITIES		**686,695**	654,213
NET CURRENT ASSETS		**222,437**	204,218
TOTAL ASSETS LESS CURRENT LIABILITIES		**579,960**	564,681

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months ended 30 September 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Turnover	9	**131,561**	101,337
Cost of sales		**(97,461)**	(71,872)
Gross profit		**34,100**	29,465
Other revenues		**8,080**	2,671
Selling and distribution expenses		**(8,587)**	(8,019)
Administrative expenses		**(13,335)**	(13,991)
Impairment on trade receivables		**(6,277)**	—
Profit from operations	11	**13,981**	10,126
Finance costs		**—**	—
Profit before taxation		**13,981**	10,126
Taxation	12	**(393)**	(2,330)
Profit and comprehensive income for the period		**13,588**	7,796
Total comprehensive income for the period		**13,588**	7,796
Profit and total comprehensive income for the period attributable to			
Equity holders of the Company		**13,262**	7,906
Non-controlling interests		**326**	(110)
		13,588	7,796
Interim dividends	13	**—**	—
Earnings per share for profit attributable to equity holders of the Company during the period	14	**HK cents**	HK cents
— Basic		**0.58**	0.35
— Diluted		**N/A**	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group have been prepared under the historical cost convention, and the accounting policies used in preparation of these interim financial statements are consistent with those followed in preparing the Group's annual financial statements for the year ended 31 March 2010, except as those explained below.

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 2010:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) Interpretation 17	Distributions of Non-cash Assets to Owners

The adoption of the new and revised HKFRSs that are effective for the current period 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 adopted new or revised standards, amendments or interpretations that have been issued but are not yet effective. The directors are in the process of making an assessment of the expected impact of the amendments, new or revised standards and interpretations in the period of initial application. So far it is considered that their adoption is unlikely to have a significant impact on the results and the financial position of the Group.

3. MODIFIED AUDIT OPINION — 31 MARCH 2010 AUDITED FINANCIAL STATEMENTS

There were two significant matters highlighted in the Independent Auditors' Report for the 31 March 2010 financial statements of the Group in relation to:

(i) the amount of technological know-how of approximately HK$284,260,000 (30 September 2010: HK$284,260,000) as included in "Intangible assets", and

(ii) amounts each of about HK$31,780,000 (30 September 2010: 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 approximately HK$284,260,000

"(a) As set out in note 19 to the consolidated financial statements, included in Intangible Assets as at 31 March 2010 is the technological know-how with the carrying value of approximately HK$284,260,000 (2009: 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 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 not 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 outcome of the clinical trial and the launching of the Product be unsuccessful, material adjustments may have adverse effect on the business and results of the Group."

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

"(b) As set out in note 21(c) to the consolidated 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 (2009: 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 this 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 consolidated financial statements, we consider the uncertainty as to the risks associated with the assets as mentioned in the above two paragraphs have been adequately disclosed in the consolidated 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."

4. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Included in the "Deposits, prepayments and other receivables" was the payment of requisite deposit RMB4,440,000 (equivalent to about HK$5.1 million) to Finance Bureau of Economic Development Zone of Jiu Tai, Changchun, the PRC as made by the Group's indirect 73% owned subsidiary Changchun Extrawell Pharmaceutical Co., Limited on 27 September 2010 to be eligible for the participation of a public grant process for acquiring a land use right. It is the Group's intention to acquire the land for the purpose of the construction of a new production plant on the land for future relocation of the current plant.

5. 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, net of impairment loss, based on the delivery dates of goods, is as follows:

	At 30 September 2010 (Unaudited)	At 31 March 2010 (Audited)
	HK$'000	*HK$'000*
Within 90 days	**52,010**	37,391
Between 91 to 180 days	**35,691**	25,576
Between 181 to 365 days	**20,357**	21,789
Between 1 to 2 years	**1,260**	—
Over 2 years	**114**	—
	109,432	84,756

6. SHARE CAPITAL

	At 30 September 2010 (Unaudited)	At 31 March 2010 (Audited)
	HK$'000	*HK$'000*
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
2,290,000,000 ordinary shares of HK$0.01 each	**22,900**	22,900

7. TRADE AND BILLS PAYABLES

The ageing analysis of the trade and bills payables, based on the dates of receipt of goods, is as follows:

	At 30 September 2010 (Unaudited) *HK$'000*	At 31 March 2010 (Audited) *HK$'000*
Within 90 days	**11,048**	5,877
Between 91 to 180 days	**1,703**	1,665
Between 181 to 365 days	**14**	623
Between 1 to 2 years	**249**	309
Over 2 years	**41**	5
	13,055	8,479

8. 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 the Group's indirect non-wholly owned subsidiary Fosse Bio-Engineering Development Limited.

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

9. TURNOVER

The Group's turnover comprises the following:

	For the six months ended 30 September	
	2010 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*
Manufacturing of pharmaceutical products	**21,822**	22,716
Trading of pharmaceutical products	**109,739**	78,621
	131,561	101,337

10. SEGMENT INFORMATION

The Group manages its businesses according to the nature of operations and products provided. Management has determined four reportable operating segments, and each of which represents a strategic business unit subject to risks and returns that are different from those of other operating segments. Details of these segments are as follows:

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

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

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

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

Management monitors the results of its operating segments separately for the purpose of making decisions on resources allocation and performance assessment. Segment performance is measured consistently with the Group's profit before taxation except that interest income, finance costs as well as head office expenses are excluded from such measurement.

No 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 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**	
				Restated						Restated
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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	**21,822**	22,716	**109,739**	78,621	**—**	—	**—**	—	**131,561**	101,337
Segment results	**765**	458	**15,443**	12,973	**(52)**	(788)	**(30)**	(32)	**16,126**	12,611
Bank interest income									**492**	373
Net unallocated expenses									**(2,637)**	(2,858)
Profit from operations									**13,981**	10,126
Finance costs									**—**	—
Profit before taxation									**13,981**	10,126
Taxation									**(393)**	(2,330)
Profit for the period									**13,588**	7,796
Attributable to:										
Equity holders of the Company									**13,262**	7,906
Non-controlling interests									**326**	(110)
									13,588	7,796

11. PROFIT FROM OPERATIONS

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

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited) (Restated)
	HK$'000	*HK$'000*
Cost of goods sold	**97,461**	71,872
Depreciation and amortisation of property, plant and equipment and prepaid land lease payments	**2,851**	2,974
Amortisation of intangible assets (included in cost of sales)	**140**	278
Compensation for key management personnel including amounts paid to the directors and senior executives:		
— Fees, salaries and other benefits	**1,249**	939
— Pension scheme contributions	**6**	6
Impairment on trade receivables	**6,277**	—
Reversal of impairment on trade receivables*	**(5,646)**	—
Exchange (gain)*	**(805)**	(2)
Exchange loss	**408**	365
Interest income on bank balances*	**(492)**	(373)

* *Included in the amount of HK$8,080,000 and disclosed as Other Revenues*

12. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the period ended 30 September 2010. 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 Enterprise Income Tax Law (the "EIT Law"), the PRC corporate income tax has been standardized at the rate of 25%. However, certain subsidiaries of the Company have been granted preferential tax treatments prior to the introduction of the EIT Law. They continue to enjoy the preferential tax treatment and are now subject to the corporate income tax at the rate of 22% for 2010. The rate would gradually increase to 24% for 2011 and 25% for 2012 according to the grandfathering rules stipulated in the Implementation Rules and related circular.

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 2010 and 2009.

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong	**60**	121
Current — Outside Hong Kong	**333**	2,209
Total tax charge for the period	**393**	2,330

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 is as follows:

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit before taxation	**13,981**	10,126
Tax at the statutory tax rates applicable to the respective tax jurisdictions	**(97)**	(910)
Preferential statutory rate offered	**(488)**	62
Expenses not deductible for tax including companies with tax losses	**978**	3,197
Over-provision of profits tax of prior years	**—**	(19)
Tax charge for the period	**393**	2,330

13. INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2010 (six months ended 30 September 2009: HK$Nil).

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the equity holders of the Company for the six months ended 30 September 2010 of approximately HK$13,262,000 (2009: HK$7,906,000) and on 2,290,000,000 (2009: 2,290,000,000) shares in issue during the six months ended 30 September 2010.

There were no potential diluted ordinary shares in existence for each of the six months ended 30 September 2010 and 2009 and accordingly, no diluted earnings per share has been presented.

15. CONTINGENT LIABILITIES

At 30 September 2010, corporate guarantees totaling HK$18 million were given by the Group to a bank in connection with banking facilities provided to certain of the Company's subsidiaries, and approximately HK$9.8 million (31 March 2010: HK$6.3 million) of the facilities had been utilized.

16. COMMITMENTS

(a) Commitment under operating lease

The Group had future aggregate minimum lease payable under non-cancellable operating lease with respect to office premises rental as follows:

	At 30 September 2010 (Unaudited) ***HK$'000***	At 31 March 2010 (Audited) *HK$'000*
Within one year	**712**	1,565

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

(b) Other commitments

(i) In connection with the acquisition of the interest in Fosse Bio, as at 31 March and 30 September 2010, the Group had a commitment to advance an interest-free loan to Fosse Bio Vendor and/or other shareholders of Fosse Bio to cover expenses relating to clinical trial of the Product.

(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, 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 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 at RMB6 cents for each capsule of Medicine produced (subject to a maximum fee of RMB180 million for each year and deduction 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.

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. In light of the progress of the further clinical trial, Welly Surplus and Sea Ascent have not yet concluded the revised completion timetable in relation to the construction of the Plant since 30 June 2010, and therefore the extension of the long stop date of the SP Agreement. 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.

(iii) On 16 December 2009, Fosse Bio entered into service contracts with 瀋陽鑫泰格爾醫藥科技開發有限公司 (the "Project Administrator") for provision of clinical trial management services and the related clinical studies pursuant to clinical trial of the oral insulin project with aggregate value of RMB12,080,000.

In furtherance with the clinical studies, Fosse Bio entered into a supplemental contract with the Project Administrator for provision of certified testing drugs for clinical trial purpose with contract value of RMB 5,000,000 on 25 July 2010.

As at 30 September 2010, deposits in aggregate of RMB4,000,000 (31 March 2010: RMB1,000,000) were paid to the Project Administrator, of which RMB3,000,000 was paid in relation to the supplemental contract during the period under review.

(iv) At 30 September 2010, the Company had provided corporate guarantee in favour of its wholly owned subsidiary to a landlord that the subsidiary would duly observe the terms and pay the monies; including but not limited to payment of rent, rates and management fees of approximately HK$5.0 million for the entire lease period from March 2008 to February 2011 as contained in the tenancy agreement signed between the landlord and the subsidiary. In October 2010, an agreement was reached between the subsidiary and the landlord to renew the lease for another 3-year term starting in March 2011.

17. 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 were as follows:

(i) At the time when the Group via its wholly owned subsidiary Extrawell (BVI) Limited ("EBVI") acquired the 51% interest in Smart Ascent, 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 balance of the 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 at 30 September 2010.

(iii) During the six-month period ended 30 September 2010, EBVI and Mr. Ong made shareholders' loan contribution in aggregate of approximately HK$3,450,000 to Smart Ascent based on their respective equity interest in Smart Ascent of 51% and 49% so that Smart Ascent could make advance to Fosse Bio for funding its payment to the Project Administrator. The advance made by EBVI to Smart Ascent is unsecured, non-interest bearing and has no fixed term of repayment. Mr. Ong was regarded as a connected person at the Company's level up to 11 March 2010 by reason of his relationship being a son-in-law with a former director of the Company, Mr. Ho Chin Hou who resigned on 12 March 2009. From 12 March 2010 onwards and up to the date of approval of these interim financial statements, Mr. Ong has been regarded as a connected person only at the Company's subsidiary level. As such, the advance made by EBVI did not constitute connected transaction subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As at 30 September 2010, the outstanding balance of the advances made by EBVI to Smart Ascent was approximately HK$11,395,000 (31 March 2010: HK$9,578,000).

18. COMPARATIVE FIGURES

Certain comparative figures in the 2009 Interim Period have been reclassified or restated in order to conform with the current period's presentation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2010, 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 ordinary shares of HK$0.01 each held, capacity and nature of interest	
Name of director		**Through controlled corporations**	**Percentage of the Company's issued share capital**
Mao Yu Min	*Note*	480,000,000	20.96%
Xie Yi	*Note*	480,000,000	20.96%

Note: JNJ Investments Ltd. ("JNJ Investments") and Fudan Pharmaceutical Limited ("FPL") own 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) ("United Gene Group"), as to 0.99% by 聯合基因科技有限公司 (United Gene Holdings Limited) (a company registered in the People's Republic of China) ("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 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.

Save as disclosed above, as at 30 September 2010, 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

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 2010, 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.

Long positions in ordinary shares of the Company

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

Notes:

(a) JNJ Investments and FPL own 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, as to 0.99% by United Gene-PRC and as to 0.01% by Shanghai Biowindow.

The issued share capital of United Gene Group 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.

(b) Mr. Ong Cheng Heang is interested in 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 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 2010, 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

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 2010, except for the deviations as set out below:

(a) Code provisions A1.3 and A6.1 stipulate that 14-day 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 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 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 other overseas business commitments, Dr. Mao Yu Min was unable to attend the annual general meeting of the Company held on 10 September 2010. Dr. Xie Yi, an executive director of the Company was appointed to chair the annual general meeting in accordance with the provisions of the Company's bye-laws.

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 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

Overall Performance

During the period under review, the in-depth development and implementation of the Central Government's policies in healthcare reform have further broadened the market demands and intensified the competition in the pharmaceutical industry. The Group continued to benefit from the rapid growth of market demands on its imported pharmaceutical products, whereas its self-manufactured products were continuously affected by significant challenges in competition for market share.

For the six-month period ended 30 September 2010, the Group achieved half-year turnover of HK$131.5 million, representing an increase of HK$30.2 million or 29.8% over the corresponding period in 2009. The increase in turnover was mainly attributed to the robust rise in sales for the imported products, which outweighed the decrease in sales of the self-manufactured products.

Although gross margin recorded a decrease from about 29.1% to 25.9%, the gross profit saw an increase from about HK$29.5 million to about HK$34.1 million, representing an increase of about HK$4.6 million or 15.7%.

The Group's administrative, selling and distribution expenses were in aggregate of about HK$21.9 million (2009: HK$22.0 million), which was maintained at similar level as the corresponding period of last year.

During the period under review, the Group's profit attributable to the equity holders of the Company was about HK$13.3 million, representing an increase of about HK$5.4 million compared to the corresponding period in 2009, as a result of improved operating performance amidst the highly challenging and competitive business environment.

Imported Pharmaceutical Sector

Sales of imported pharmaceutical products were boosted significantly by the market demands which increased by approximately HK$31.1 million, representing 39.6% from about HK$78.6 million in the 2009 Interim Period to about HK$109.7 million in the 2010 Interim Period. Sales of products for central nervous system and dermatitis achieved double-digit growth both in unit volume and dollar value terms in line with the increasing market demand.

Segment profit increased to about HK$15.4 million, representing 19.0% increase from about HK$13.0 million in the 2009 Interim Period. The improved performance was mainly due to an increase in turnover whilst the operations were streamlined to enhance efficiency during the period under review.

Manufactured Pharmaceutical Sector

Sales of self-manufactured pharmaceutical products decreased slightly by approximately HK$0.9 million, representing 3.9% drop from about HK$22.7 million in the 2009 Interim Period to about HK$21.8 million in the 2010 Interim Period.

The introduction of various new and stringent medical reform regulations and measures to control drugs pricing increased price pressure to our products. In mitigating the impact, the Group managed to take cost control measures and launch our new product of better margin; namely "Ferrous Sulfate Sustained-released Tablet" for treating iron deficiency anemia in response to the challenges.

As a result, segment profit increased slightly from about HK$458,000 in the 2009 Interim Period to about HK$765,000 in the period under review.

Oral Insulin Sector

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

Gene Development Sector

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

Selling and Distribution Expenses

Selling and distribution expenses slightly increased to about HK$8.6 million, representing an increase of HK$0.6 million or 7.1% as compared to HK$8.0 million in the 2009 Interim Period. The increase was primarily due to increase in marketing and promotion activities.

Administrative Expenses

Administrative expenses slightly dropped by about HK$0.7 million or 4.7% to HK$13.3 million when compared to HK$14.0 million in the 2009 Interim Period, resulting from tight cost controls on the business workflows.

Other Revenues

Other revenues increased by about HK$5.4 million from about HK$2.7 million in the 2009 Interim Period to about HK$8.1 million in the 2010 Interim Period, which was mainly due to an increase in the reversal of impairment on trade receivables of HK$5.6 million and a decrease in income from provision of consultancy services to other factories of HK$1.1 million.

Seasonal or Cyclical Factors

The Group's business operations were not significantly affected by any seasonal and cyclical factors, except extended statutory holidays in the PRC that may lead to lower 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 2010, the Group had total cash and bank balances (including pledged bank deposits) of about HK$136.9 million (31 March 2010: HK$125.6 million), representing an increase by approximately 9.0%.

The Group did not have bank borrowings as at 30 September 2010 (31 March 2010: HK$ Nil) but with banking facilities on trade finance, which were supported by the pledge of the Group's fixed deposits of about HK$20.7 million (31 March 2010: HK$20.6 million) and corporate guarantees from the Company and certain subsidiaries of the Company. In general, there is no significant seasonality fluctuation on trade finance requirement of the Group.

The Group's total borrowing over total assets ratio as at 30 September 2010 was 0.05 (31 March 2010: 0.05), calculated based on the Group's total debts of about HK$32.5 million (31 March 2010: HK$32.6 million), comprising amount due to a minority shareholder of about HK$32.4 million (31 March 2010: HK$32.4 million).

The Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and Renminbi. The Group had limited exposure to foreign exchange rate fluctuation as most of its transactions, 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. Despite the aforesaid, the Group monitors constantly of its exposure to foreign currency movement.

Outlook

The Central Government's commitments and its deepening policies in healthcare reforms have continuously spurred the rapid growth of the Mainland's pharmaceutical industry, which have also led to complicated market conditions with great opportunities and big challenges ahead; where the market has been witnessing a tremendous demand for drugs consumption with primarily price based competition and at the same time an uprising manufacturing cost from maintaining strict compliance with Good Manufacturing Practices for drug manufacture.

Whilst the outlook for the global economy has become more uncertain following the recent unveiling of a second round of quantitative easing program by the United States, it is however believed that the Mainland's pharmaceutical industry will still be achieving annual growth in the next decade, driven by the Central Government's initiatives in achieving a long-term goal of providing universal healthcare services to the country's population.

Although the Group was able to achieve a satisfactorily progressive growth in the first half of the financial year, we are cautiously optimistic about the performance in the second half in view of the extremely fast-changing market conditions. In addition to exerting continual efforts in progressing the clinical trial of the oral insulin project, the Group will endeavour to seize development and investment opportunities arising from the Mainland's growth. Meanwhile, the Group will continue to focus on improving the operating performance to be well-positioned to take advantage of the new growth opportunity.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2010, the Group had 398 employees (30 September 2009: 413). Staff costs excluding directors' remuneration included salaries, bonus, allowances, retirement benefits scheme contributions and those charged in the cost of sales for the six months ended 30 September 2010 amounting to approximately HK$18.4 million (six months ended 30 September 2009: approximately HK$18.5 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 2010, 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 2010, 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 the 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 2010.

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 2010.

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

Hong Kong, 26 November 2010

As at the date of this announcement, the executive directors are Dr Mao Yu Min, Dr Xie Yi, 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*