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 2017

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 2017 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 September 2017 (Unaudited)** *HK$'000*	At 31 March 2017 (Audited) *HK$'000*
Non-current assets			
Investment properties		**1,467**	1,497
Property, plant and equipment		**149,511**	145,839
Prepaid lease payments		**9,586**	9,299
Intangible assets		**1,807**	1,807
Investments in convertible bonds		**378,132**	376,324
Available-for-sale investments		**76,166**	—
Interest in an associate	*3*	**331,044**	330,969
Amount due from an associate		**19,695**	17,235
		967,408	882,970
Current assets			
Inventories		**5,240**	7,607
Trade receivables	*4*	**26,766**	37,417
Deposits, prepayments and other receivables		**8,659**	4,972
Available-for-sale investments		**1,765**	1,685
Pledged bank deposits		**20,345**	20,215
Bank balances and cash		**163,368**	217,803
		226,143	289,699
Total assets		**1,193,551**	1,172,669

	Notes	At 30 September 2017 (Unaudited) HK$'000	At 31 March 2017 (Audited) HK$'000
Capital and reserves			
Share capital		**23,900**	23,900
Reserves		**1,024,616**	1,005,792
Equity attributable to owners of the Company		**1,048,516**	1,029,692
Non-controlling interests		**(5,349)**	(3,841)
Total equity		**1,043,167**	1,025,851
Non-current liabilities			
Deferred tax liabilities		**102**	102
Convertible bonds		**38,385**	35,222
Deferred income on government grants		**2,801**	2,704
		41,288	38,028
Current liabilities			
Trade and bills payables	*5*	**8,634**	14,859
Accruals and other payables		**65,266**	59,501
Amount due to an associate		**19,780**	19,780
Deferred income on government grants		**63**	63
Tax payable		**15,353**	14,587
		109,096	108,790
Total equity and liabilities		**1,193,551**	1,172,669
Net current assets		**117,047**	180,909
Total assets less current liabilities		**1,084,455**	1,063,879

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the six months ended 30 September 2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Revenue	6	**47,405**	64,196
Cost of sales		**(25,069)**	(35,918)
Gross profit		**22,336**	28,278
Other income	7	**43,805**	37,492
Other gains and losses, net	8	**(16,810)**	(28,730)
Selling and distribution expenses		**(16,747)**	(18,086)
Administrative expenses		**(13,222)**	(13,698)
Share of results of an associate		**75**	84
Effective interest expense on convertible bonds		**(3,163)**	(2,664)
Profit before taxation	9	**16,274**	2,676
Taxation	10	**(61)**	(61)
Profit for the period		**16,213**	2,615
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss			
— Change in fair value on available-for-sale investments		**(3,834)**	—
— Exchange differences arising on translation of foreign operations		**4,937**	(4,365)
Total comprehensive income (expense) for the period		**17,316**	(1,750)
Profit (loss) for the period attributable to			
Owners of the Company		**17,726**	4,720
Non-controlling interests		**(1,513)**	(2,105)
		16,213	2,615

	Notes	For the six months ended 30 September 2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Total comprehensive income (expense) for the period attributable to			
Owners of the Company		**18,824**	355
Non-controlling interests		**(1,508)**	(2,105)
		17,316	(1,750)
		(Unaudited) *HK cents*	(Unaudited) *HK cents*
Earnings per share for the period attributable to owners of the Company	*12*		
— Basic		**0.74**	0.20
— Diluted		**0.63**	0.20

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Suites 2206–08, 22/F, Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

This unaudited condensed consolidated interim financial information of the Group (the "**Interim Financial Information**") was approved for issue by the Board on 29 November 2017.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange, and the Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

This Interim Financial Information should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2017 (the "**2017 Audited Financial Statements**"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The Group has adopted, for the first time, the following new amendments to HKFRSs issued by the HKICPA that are relevant for the current interim period, and the application of which has no material impact on the Interim Financial Information:

Amendments to HKAS 7	Statement of cash flows: Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014–2016 cycle

3. DISCLAIMER OF OPINION — 2017 AUDITED FINANCIAL STATEMENTS

In the 2017 Audited Financial Statements, a disclaimer of opinion was expressed in the Independent Auditors' Report in relation to impairment for the Group's interest in an associate, Smart Ascent Limited and its subsidiaries ("**Smart Ascent Group**"), which is now extracted as below:

"As disclosed in note 22 to the consolidated financial statements, the major asset held by the associate is the intangible asset in relation to an in-process research and development project ("**In-process R&D**") involving an oral insulin product ("**Product**"). The carrying amount of the In-process R&D is determined based on the management's key assumptions which are made with high degree of estimation uncertainties. This carrying amount is highly dependent upon further research and development work that is required to be carried out, results of clinical trials, successful launching of the Product and key assumptions to be applied in preparing a cash flow projection for the sales of the Product.

One of the major assumptions relied on in assessing the carrying amount is the directors' opinion that the Smart Ascent Group would be successful in obtaining the regulatory approvals from the relevant government bodies and launching the Product by the end of 2019. These assumptions are the fundamental factors upon which the entire valuation exercise as to the recoverable amount of the In-process R&D is based.

However, we are unable to obtain sufficient appropriate audit evidence to support the probability of the Smart Ascent Group successfully launching the Product, that is, specifically, the likelihood and timing in obtaining the regulatory approvals from the relevant government bodies to launch the Product by the end of 2019. In the absence of sufficient audit evidence for these fundamental assumptions, we are unable to ascertain the reasonableness of the key assumptions relied on by the management in assessing the recoverable amount of the intangible asset as at 31 March 2017.

Consequently, we are unable to satisfy ourselves as to whether the carrying amount of the Group's interest in the associate approximately HK$330,969,000 as included in the Group's consolidated statement of financial position as at 31 March 2017 was fairly stated, and whether any impairment on the interest in an associate should be recognised.

Any further adjustments to the interest in the associate would affect the amount of net assets reported by the Group as at 31 March 2017 and of its financial performance for the year then ended, and the related disclosures thereof in the consolidated financial statements."

Notwithstanding the reasons underlying the above modified audit opinion, in addition to the impairment assessment performed on the carrying amount of the interest in the associate for the year ended 31 March 2017, the directors of the Company, having considered the prevailing market conditions, do not identify any indication on the carrying amount of interest in the associate as at 30 September 2017 that may need to be impaired, therefore consider that no impairment is necessary as at 30 September 2017.

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 ranging from 120 to 180 days, extending up to one year for some major customers.

The aging analysis of trade receivables, net of allowance for bad and doubtful debts is as follows:

	At 30 September 2017 (Unaudited) ***HK$'000***	At 31 March 2017 (Audited) *HK$'000*
0–90 days	**7,702**	14,352
91–180 days	**13,762**	15,490
181–365 days	**5,302**	7,575
	26,766	37,417

5. TRADE AND BILLS PAYABLES

The aging analysis of trade and bills payables is as follows:

	At 30 September 2017 (Unaudited)	At 31 March 2017 (Audited)
	HK$'000	*HK$'000*
0–90 days	**4,574**	8,968
91–180 days	**2,906**	4,473
181–365 days	**118**	756
1–2 years	**519**	168
Over 2 years	**517**	494
	8,634	14,859

6. REVENUE AND SEGMENT INFORMATION

The Group's revenue comprises the following:

	For the six months ended 30 September	
	2017 (Unaudited)	2016 (Unaudited)
	HK$'000	*HK$'000*
Manufacturing of pharmaceutical products	**23,613**	23,802
Trading of pharmaceutical products	**23,792**	40,394
	47,405	64,196

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's operating segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summarised details of the reportable and operating segments are as follows:

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

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

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

The following is an analysis of the Group's revenue and results from operation by reportable and operating segment for the six months ended 30 September 2017:

	Unaudited — For the six months ended 30 September							
	Manufacturing		**Trading**		**Gene Development**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue								
Sales to external customers	**23,613**	23,802	**23,792**	40,394	**—**	—	**47,405**	64,196
Segment results	**(6,310)**	(8,577)	**(902)**	3,741	**(36)**	(38)	**(7,248)**	(4,874)
Unallocated other income							**43,805**	37,492
Unallocated other gains and losses, net							**(13,562)**	(23,730)
Corporate expenses							**(3,633)**	(3,632)
Effective interest expense on convertible bonds							**(3,163)**	(2,664)
Share of results of an associate							**75**	84
Profit before taxation							**16,274**	2,676
Taxation							**(61)**	(61)
Profit for the period							**16,213**	2,615

7. OTHER INCOME

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**918**	552
Rental income	**—**	54
Sundry income	**—**	49
Government grants	**32**	—
Effective interest income from investments in convertible bonds	**40,395**	34,954
Imputed interest income from amount due from an associate	**2,460**	1,883
	43,805	37,492

8. OTHER GAINS AND LOSSES, NET

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Impairment on deposits, prepayments and other receivables	**—**	(982)
Allowance for bad and doubtful debts, net	**(3,248)**	(4,018)
Change in fair value loss of derivative component of investments in convertible bonds	**(13,562)**	(23,730)
	(16,810)	(28,730)

9. PROFIT BEFORE TAXATION

The Group's profit before taxation has been arrived at after charging:

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Amortisation of prepaid lease payments	**114**	117
Depreciation of investment properties	**30**	30
Depreciation of property, plant and equipment	**3,091**	3,419
Cost of inventories recognised as expenses	**25,069**	35,918
Operating lease charges in respect of land and buildings	**913**	894
Staff cost (including directors' emoluments)		
Salaries, bonus and allowances	**11,132**	10,606
Retirement benefits scheme contributions	**1,197**	1,838

10. TAXATION

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**36**	36
Other jurisdictions	**25**	25
Taxation	**61**	61

Hong Kong Profits Tax has been provided at the rate of 16.5% of the estimated assessable profits for both periods.

Under the Law of the People's Republic of China (the "**PRC**" or "**China**") on Enterprise Income Tax (the "**EIT**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

11. INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2017 (six months ended 30 September 2016: HK$ Nil).

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company of HK$17,726,000 (2016: HK$4,720,000) and 2,390,000,000 ordinary shares in issue.

The calculation of the diluted earnings per share is based on adjusted profit of HK$20,889,000 for effective interest expense on convertible bonds of HK$3,163,000 (but no adjustment required for the corresponding period where there is anti-dilutive effect) and the weighted average number of 3,290,000,000 ordinary shares outstanding.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overall Performance

In the period under review, the global economy continued to maintain the momentum of recovery. China reported its third and second quarters GDP growth at 6.8% and 6.9% respectively. The stabilised economic development as well as the Chinese government's commitments under the Thirteenth Five-Year Plan (2016–2020) have assured the growth of pharmaceutical industry, whereas, as China's pharmaceutical industry entered into a new normal state, the industry has witnessed a slower pace of growth. Overall market conditions have remained challenging as rounds of healthcare reform policies such as the implementation of the "two-invoice system" for drug procurement, more rigorous tendering process and stricter regulatory compliance and supervision on drug manufacture and circulation, have posed significantly operating pressure on both domestic and overseas pharmaceutical enterprises.

The deepening of the reform policies and various measures rolled out in the recent year led to severe market conditions increasingly impacting the Group's trading segment of imported pharmaceutical products. Affected by the intensifying price competition from competing products of local manufacturers and the negative impact arising from increasing regulatory scrutiny on imported products, there was a substantial decline in the segment revenue. As a result, the Group's revenue and gross profit slumped to about HK$47.4 million and HK$22.3 million in the six months period ended 30 September 2017 (the "**2017 Interim Period**"), which decreased by about HK$16.8 million or 26.2% and about HK$6 million or 21.0% respectively when compared to revenue and gross profit of about HK$64.2 million and HK$28.3 million in the six months period ended 30 September 2016 (the "**2016 Interim Period**"), although the Group was able to maintain gross margins across its business segments through streamlining operational efficiency and saw an improvement of overall gross margin from 44.0% in the 2016 Interim Period to 47.1% in the 2017 Interim Period.

The Group's administrative, selling and distribution expenses in aggregate were also reduced to about HK$30.0 million in the 2017 Interim Period, representing a decrease by about HK$1.8 million or 5.7% when compared to about HK$31.8 million in the 2016 Interim Period.

Despite the downturn of the Group's revenue, profit attributable to owners of the Company rose to about HK$17.7 million when compared to profit of about HK$4.7 million in the 2016 Interim Period; representing an increase of about HK$13.0 million. Such increase was primarily attributable to two non-cash items; including a decrease in loss related to fair value change of the derivative component of the Group's investments in convertible bonds of approximately HK$10.2 million and increase in effective interest income from investments in convertible bonds of about HK$5.4 million.

Revenue and Operating Results

Imported Pharmaceutical Sector

Impacted by the difficult operating environment, revenue of the Group's imported products decreased to about HK$23.8 million in the 2017 Interim Period, representing a decrease of about HK$16.6 million or 41.1% when compared to about HK$40.4 million in the 2016 Interim Period. Such decrease was primarily due to destocking pressure of customers in anticipation of deeper discount on drug tendering price triggered by increasingly aggressive competition from competing products of local manufacturers, and an adjustment of subsequent sales return in November which reduced revenue by about HK$4.7 million due to a product recall of an imported product from Argentina. As to the understanding of the management, the product recall was due to certain potential manufacturing practices issue reported in an overseas on-site inspection by the Chinese regulatory authorities. The vendor has been taking remedial actions to resolve the matter with the authorities and committed to bear all the related costs of the sales return thus incurred. Furthermore, the vendor has applied for renewal of import license of its product that due in end October, the approval of which has yet to be obtained. Although this will have an impact on the segment revenue, there will be no material impact on the segment results as the gross profit contribution from this product has been decreasing to below 10%. The Group considers that such events would not cause material impact on its financial position and operations.

Although the Group was able to maintain a stable gross margin, the significant decrease in revenue adversely affected the segment performance, which turned into a loss of about HK$0.9 million in the 2017 Interim Period when compared to a profit of HK$3.7 million in the 2016 Interim Period.

Given the highly competitive landscape and increasing regulatory scrutiny on imported products, the Group is cautious that such difficult market situation will likely affect the performance of the trading segment in the second half of the financial year. To mitigate the impacts, the Group would work closely with its business partners and endeavor to adopt a more flexible pricing approach in response to the challenges.

Manufactured Pharmaceutical Sector

The segment continued to deliver an improved operating result in the 2017 Interim Period, in which revenue was maintained at about HK$23.6 million, representing a decrease of about HK$0.2 million or 0.8% when compared to HK$23.8 million in 2016 Interim Period and segment loss was reduced by HK$2.3 million or 26.4% to about HK$6.3 million when compared to a loss of HK$8.6 million in 2016 Interim Period. Although there was an increase in marketing and distribution expenses by about HK$1.8 million in light of fierce price competitions, these were offset by management efforts devoted to enhancing operating efficiency and credit risk management which improved gross profit by about HK$1.8 million, reduced administrative expenses by about HK0.6 million and provision for receivables by about HK$1.8 million.

As healthcare reforms progress, new round of policies and heightened regulatory supervision are expected to add pressures on prices and costs. However, the Group believes that the segment has laid a solid foundation to confront with these challenges and will strive to translate it into better results.

Gene Development Sector

In the period under review, gene development remained inactive and no revenue was recorded.

Other Income and Gains and Losses, Net

Other income and gains and losses, net were in total a gain of about HK$27.0 million, which mainly came from effective interest income of about HK$40.4 million and change in fair value loss of derivative component of HK$13.6 million from investments in convertible bonds. There was an increase of about HK$18.2 million when compared to the gain of about HK$8.8 million in the 2016 Interim Period. Such increase also mainly came from the respective increase in effective interest income of about HK$5.4 million and reduction in fair value loss of about HK$10.2 million.

Selling and Distribution Expenses

Selling and distribution expenses decreased to about HK$16.8 million as compared to HK$18.1 million in the 2016 Interim Period, which was due to decrease in the Group's revenue.

Administrative Expenses

Administrative expenses decreased by about HK$0.5 million or 3.5% from HK$13.7 million in the 2016 Interim Period to about HK$13.2 million in the 2017 Interim Period. Such decrease was primarily the result of management efforts of manufacturing segment on cost reduction.

Seasonal or Cyclical Factors

The Group's business operations were not significantly affected by any seasonal and cyclical factors, except extended statutory holidays in the PRC that may lead to lower Group's revenue and profit for the months in which these holidays are declared. There is no seasonal and cyclical factor for its borrowing requirements.

Financial Review

The Group generally finances its operations with internally generated cash flow and facilities granted by its principal banker in Hong Kong, Industrial and Commercial Bank of China (Asia) Limited. As at 30 September 2017, the Group had total cash and bank balances (including pledged bank deposits of HK$20.3 million) of HK$183.7 million (31 March 2017: HK$238.0 million), representing a decrease by approximately HK$54.3 million or 22.8%. Such decrease was mainly the result of significant investments made in aggregate of HK$80 million (as detailed below) and the receipt of about HK$25.0 million interest income from investments in convertible bonds.

The Group did not have bank borrowings as at 30 September 2017 (31 March 2017: HK$ Nil) but had banking facilities on trade finance, which were supported by the pledge of the Group's fixed deposits of about HK$20.3 million (31 March 2017: HK$20.2 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 2017 was 0.049 (31 March 2017: 0.047), calculated based on the Group's total assets of HK$1,193.6 million (31 March 2017: HK$1,172.7 million) and total debts of about HK$58.2 million (31 March 2017: HK$55.0 million), comprising convertible bonds of HK$38.4 million (31 March 2017: HK$35.2 million) and amount due to an associate of HK$19.8 million (31 March 2017: HK$19.8 million).

Foreign Exchange Exposure

Save for certain purchases are denominated in Euros, the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and Renminbi. The Group manages the foreign currency exposure by closely monitoring the foreign currency movements and may purchase foreign currencies at spot rate, when and where appropriate for meeting its payment obligation. No hedge on foreign currencies was made during the period but the Group will use financial instruments for hedging purpose when considered appropriate.

Significant Investments

In the period under review, the Group subscribed a total of 80,000 participating shares in KKC Capital SPC, a segregated portfolio company incorporated in the Cayman Islands at aggregate consideration of HK$80,000,000. Details of these significant investments at 30 September 2017 as held by the Group and classified as available-for-sale investments at fair value through comprehensive income are set out below:

Name of unlisted investment	Brief description of the business	Number of units held	Investment cost *HK$'000*	Market value *HK$'000*	Fair value loss recognised at investments revaluation reserve *HK$'000*	Percentage to total assets value of the Group
KKC Capital High Growth Fund Segregated Portfolio	The investment objective is for long term capital appreciation by investing primarily in listed and unlisted shares, rights and warrants. The investment manager is KKC Capital Limited and its investment advisor is Avia Asset Management Limited, which is licensed by the Securities and Futures Commission of Hong Kong to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities	80,000	80,000	76,166	3,834	6.38%

The Group will continue to explore different investment opportunities with a view to maximise utilisation of the Group's surplus cash reserves and thereby enhancing returns for the Group in the medium to long term.

Outlook

China's pharmaceutical industry has entered a new phase of structural transformation following the recent release of policies to deepen the healthcare reforms under the guidance of "Healthy China 2030 plan" toward developing an open and transparent environment of market competition. It is clear that pharmaceutical enterprises will encounter greater price and cost pressures when compared to prior years, however the growth of the industry during the Thirteenth Five-Year Plan's period, will bring new opportunities and challenges for the industry. The Group will remain resilient to adjust its strategies in response to the changes.

It is anticipated that the Chinese government's continued measures and initiatives in regulating the pharmaceutical sector and demanding regulatory compliance will continuously intensify market competition and put pressure on the Group's performance. Despite the performance of the Group's trading segment tends to be increasingly impacted in the highly complicated operating environment, the improved performance of the manufacturing segment reflects the competitive advantages built on scale operation and the Group will continue leveraging these advantages to gain market share and optimising operational efficiency with an aim of delivering better performance in the second half of the financial year. While the Group will continuously endeavor to improve its business operations, it will also seek potential business opportunities with an aim of diversifying its revenue stream.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2017, the Group had 177 employees (30 September 2016: 238). Staff costs (including directors' emoluments) for the six months ended 30 September 2017 amounted to approximately HK$12.3 million (six months ended 30 September 2016: approximately HK$12.4 million. The decrease was mainly due to lower staff numbers at the manufacturing segment.

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.

On 24 August 2012, shareholders of the Company had approved the adoption of a share option scheme (the "**Scheme**"), which became effective on 29 August 2012 after obtaining approval from the Listing Committee of the Stock Exchange and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Scheme will enable the Group to reward the employees, the directors and other selected participants for their contribution to the Group and will also assist the Group in its recruitment and retention of high caliber professionals, executives and employees who are instrumental to the growth of the Group.

During the period ended 30 September 2017, no share option has been granted under the Scheme.

CORPORATE GOVERNANCE

The Group recognises the importance of achieving and monitoring the high standard of corporate governance consistent with the need and requirements of its business and the best interest of all its shareholders. The Group is fully committed to doing so.

In the opinion of the directors, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report ("**Code Provisions**") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2017, except for certain deviations from Code Provisions (i) A.1.3 and A.7.1 (notice, agenda as well as accompanying board papers should be given to directors in a timely manner for committee's and board's meeting), (ii) A.2.1 (the roles of chairman and chief executive officer should be separate and should not be performed by the same person), (iii) A.4.1 (non-executive directors should be appointed for a specific term), and (iv) A.4.2 (all directors should be subject to retirement by rotation at least once every three years, and directors appointed to fill a casual vacancy be subject to election at the first general meeting after appointment), and (v) E.1.2 (the Chairman of the Board should attend the annual general meeting of the Company ("**AGM**"), Dr. Xie Yi was unable to attend the AGM held on 25 August 2017 due to health reason. Dr. Lou Yi, an executive director of the Company took the chair of the AGM in accordance with the provisions of the Company's bye-laws and answered questions from shareholders of the Company). Details of deviations as set forth in (i) to (iv) and considered reasons in relation thereof have been duly set out in the corporate governance report contained in the 2017 annual report of the Company published in July 2017.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standards set out in the Model Code throughout the interim period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2017, the Company and its subsidiaries did not purchase, redeem or sell any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee, which comprises three independent non-executive directors with terms of reference in compliance with Code Provision C.3.3, has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2017, and was content that the accounting principles and practices adopted by the Group were in conformity with the current practices in Hong Kong.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.extrawell.com.hk). The interim report will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
Extrawell Pharmaceutical Holdings Limited
Xie Yi
Chairman

Hong Kong, 29 November 2017

As at the date of this announcement, the executive directors are Dr Xie Yi, Dr Lou Yi, Mr Cheng Yong, Ms Wong Sau Kuen, Mr Liu Kwok Wah and Mr Lu Zhiqiang and the independent non-executive directors are Mr Fang Lin Hu, Mr Xue Jing Lun and Ms Jin Song.

* *For identification purpose only*