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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)

ANNOUNCEMENT CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

Reference is made to the Announcements in relation to, among others, the update on the proposal for resumption of trading in the Shares.

As stated in the Announcements, to satisfy the conditions for resumption of trading in the Shares, the Company was required to investigate, among other matters, the transactions entered into by the Group to ascertain whether there were other transactions entered into by the Group having similar issues as the 2004 Transaction and the 2007 Transaction.

During the review by the Independent Board, the Independent Board has noted that, since Mr Ong, who owned 49% of the issued share capital of Smart Ascent, was regarded as a connected person of the Company within the meaning of the Listing Rules by virtue of him being a son-in-law of Mr Ho, a former director of the Company who resigned in effect from 12 March 2009, Smart Ascent falls within the definition of connected person in Rule 14A.11(5) of the Listing Rules. The Independent Board noted that during the five years ended 31 March 2009 and the period from 1 April 2009 to the date of this announcement, Extrawell BVI, a company wholly owned by the Company, had advanced to Smart Ascent approximately HK\$1,230,000, HK\$1,586,000, HK\$1,142,000, HK\$142,000, HK\$5,286,000 and HK\$192,000 respectively.

IMPLICATIONS UNDER THE LISTING RULES

As each of the Advances made during the five years ended 31 March 2009 and the period from 1 April 2009 to the date of this announcement had neither been made in the ordinary and usual course of business of the Group nor on normal commercial terms within the meaning of the Listing Rules (or better to the Group), each of the aforesaid Advances constituted a connected transaction which should have been subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Such Advances had been made by Extrawell BVI either by way of grant of shareholder's loan to Smart Ascent, or by payment of Smart Ascent's fees and expenses on its behalf.

To keep investors informed, the Company issues this announcement to disclose particulars of the Advances, and expects to disclose the relevant information as required under Rule 14A.45 of the Listing Rules in its next annual report.

SUSPENSION OF TRADING

At the request of the Stock Exchange, trading in the Shares on the Stock Exchange was suspended with effect from 10:12 a.m. on 20 September 2007 and will continue to be suspended until further notice. The resumption of trading in the Shares is subject to a number of conditions as summarised in the section "Conditions for resumption of trading" in the Company's announcement dated 3 April 2009.

BACKGROUND

Reference is made to the Announcements in relation to, among others, the update on the proposal for resumption of trading in the Shares.

As stated in the Announcements, to satisfy the conditions for resumption of trading in the Shares, the Company was required to investigate, among other matters, the transactions entered into by the Group to ascertain whether there were other transactions entered into by the Group having similar issues as the 2004 Transaction and the 2007 Transaction.

During the review by the Independent Board, the Independent Board has noted that, since Mr Ong, who owned 49% of the issued share capital of Smart Ascent, was regarded as a connected person of the Company within the meaning of the Listing Rules by virtue of him being a son-in-law of Mr Ho, a former director of the Company who resigned in effect from 12 March 2009, Smart Ascent falls within the definition of connected person in Rule 14A.11(5) of the Listing Rules. The Independent Board noted that during the five years ended 31 March 2009 and the period from 1 April 2009 to the date of this announcement, Extrawell BVI, a company wholly owned by the Company, had advanced to Smart Ascent approximately HK\$1,230,000, HK\$1,586,000, HK\$1,142,000, HK\$142,000, HK\$5,286,000 and HK\$192,000 respectively. Such Advances had been made by Extrawell BVI either by way of grant of shareholder's loan to Smart Ascent, or by payment of Smart Ascent's fees and expenses on its behalf.

Details of the Advances made by Extrawell BVI to Smart Ascent during the five years ended 31 March 2009 and the period from 1 April 2009 to the date of this announcement are set out below:

Date	Approximate amount advanced to Smart Ascent (HK\$)
20 October 2004	500,000
31 December 2004	30,000
26 January 2005	700,000
3 May 2005	300,000
31 August 2005	90,000
30 September 2005	170,000
13 October 2005	250,000
27 October 2005	250,000
30 November 2005	2,000
13 January 2006	500,000
28 February 2006	2,000
31 March 2006	21,000
13 April 2006	500,000
29 April 2006	25
30 April 2006	93,000
31 May 2006	19,000
30 June 2006	5,000
31 July 2006	221,000
31 August 2006	6,000
30 September 2006	2,000
30 November 2006	2,000
31 December 2006	64,000
31 January 2007	22,000
28 February 2007	1,000
31 March 2007	207,000
30 April 2007	23,000
30 June 2007	4,000
31 July 2007	19,000
31 August 2007	6,000
30 November 2007	58,000
31 December 2007	32,000
30 April 2008	45,000
31 May 2008	134,000
30 June 2008	76,000
31 July 2008	40,000
31 August 2008	76,000

Date	Approximate amount advanced to Smart Ascent (HK\$)
30 September 2008	22,000
31 December 2008	3,000
28 February 2009	4,786,000
9 March 2009	96,000
31 March 2009	8,000
15 April 2009	96,000
1 July 2009	96,000

The outstanding balance of the Advances made by Extrawell BVI to Smart Ascent as at 31 March 2005, 2006, 2007, 2008 and 2009 and as at the date of this announcement were approximately HK\$1,230,000, HK\$2,816,000, HK\$3,958,000, HK\$4,100,000, HK\$9,386,000 and HK\$9,578,000 respectively.

The Advances were unsecured, non-interest bearing and repayable upon demand. In respect of Advances made by Extrawell BVI by way of grant of shareholder's loan to Smart Ascent, such Advances had been made in cash, whereas the other Advances had been made by Extrawell BVI by payment of Smart Ascent's fees and expenses on its behalf. The amounts of the Advances had been determined based on working capital requirements and/or the amount of operational and administrative expenses incurred by the Smart Ascent Group. No written agreements had been made between Extrawell BVI and Smart Ascent on or before the time when these Advances were made.

Save for the Advances disclosed above, none of the Group members (excluding the Smart Ascent Group) had made any advances to any member of the Smart Ascent Group during the five years ended 31 March 2009 and up to the date of this announcement.

INFORMATION ON THE GROUP

The Group is principally engaged in development, marketing and distribution of pharmaceutical products in the PRC, commercial exploitation and development of genome-related technology, and the development and commercialisation of oral insulin products.

As disclosed in the announcement and circular of the Company dated 21 May 2009, the Group completed its acquisition of 51% interests in the issued share capital of Smart Ascent in August 2004. Pursuant to the acquisition, Smart Ascent became an indirect non wholly owned subsidiary of the Company. As at the date of this announcement, it is owned as to 51% by Extrawell BVI, a wholly owned subsidiary of the Company, and 49% by Mr Ong.

Smart Ascent is an investment holding company. As at the date of this announcement and at the time when the Advances were made, Smart Ascent owned 51% of the issued share capital of Fosse Bio. Fosse Bio is principally engaged in the research and development of the Medicine. As disclosed in the announcement and circular of the Company dated 4 March 2004 and 25 March 2004 respectively, and the announcement and circular of the Company dated 21 May 2009, Fosse Bio has entered into the THU Collaboration Arrangement with Tsinghua University, Beijing for the joint research and development of the relevant technologies, including but not limited to the use of oral insulin products, which would be a new method for treatment of diabetes. Under the THU Collaboration Arrangement, Fosse Bio would be entitled to commercialise such of the aforesaid relevant technologies as specified therein and to manufacture and sell the products derived therefrom in accordance with the provisions of the THU Collaboration Arrangement on an exclusive basis once the necessary clinical trials have been completed and the requisite new medicine certificate has been obtained from the State Food and Drug Administration of the PRC.

REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTIONS

The Advances had been made to Smart Ascent by Extrawell BVI to meet the operational and administrative expenses of the Smart Ascent Group, including the expenses for research and development and the clinical trial of the Medicine. As there appears to be a large potential market of diabetes patients in the PRC, the Directors believe that the successful launching of the Medicine would provide a new revenue stream for the Group. The Board was of the view that it was in the interest of the Group as a whole to provide the necessary funding to the Smart Ascent Group as and when needed in order to expedite the progress of the development of the Medicine. As the Medicine is still at its developing stage and therefore the Smart Ascent Group has not yet been able to generate revenue from it, it is difficult for the Smart Ascent Group to obtain external financing to finance the development of the Medicine, and the Smart Ascent Group has limited fixed assets which can be used as security for obtaining external financing, the Directors considered that it would be in the interests of the Group to make the Advances to the Smart Ascent Group without aggravating the financial burdens of the Smart Ascent Group by charging any interests over the Advances.

The Directors (including the independent non-executive Directors) consider the terms and conditions of the Advances are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As each of the Advances made during the five years ended 31 March 2009 and the period from 1 April 2009 to the date of this announcement had neither been made in the ordinary and usual course of business of the Group nor on normal commercial terms within the meaning of the Listing Rules (or better to the Group), each of the aforesaid Advances constituted a connected transaction which should have been subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To keep investors informed, the Company issues this announcement to disclose particulars of the Advances, and expects to disclose the relevant information as required under Rule 14A.45 of the Listing Rules in its next annual report.

A written confirmation was made between Extrawell BVI and Smart Ascent on 11 August 2009 to record the terms of the Advances made. The Company shall enter into written agreements in respect of any advances made by any Group member (excluding the Smart Ascent Group) to any member of the Smart Ascent Group in the future for complete record purposes and for compliance with Rule 14A.04 of the Listing Rules.

SUSPENSION OF TRADING

At the request of the Stock Exchange, trading in the Shares on the Stock Exchange was suspended with effect from 10:12 a.m. on 20 September 2007 and will continue to be suspended until further notice. The resumption of trading in the Shares is subject to a number of conditions as summarised in the section “Conditions for resumption of trading” in the Company’s announcement dated 3 April 2009.

DEFINITIONS

In this announcement, the following expressions have the following meanings:

- “2004 Transaction” the acquisition by Extrawell BVI of the 51% interest from Mr Ong and Ms Wu Kiet Ming pursuant to an agreement dated 3 March 2004, as more particularly referred to in the announcement and circular of the Company dated 4 March 2004 and 25 March 2004 respectively and the announcement and circular of the Company dated 21 May 2009
- “2007 Transaction” the acquisition by Extrawell BVI of the 49% interest from Mr Ong pursuant to an agreement dated 27 July 2007, as more particularly referred to in the announcement and circular of the Company dated 1 August 2007 and 22 August 2007 respectively and the announcement and circular of the Company dated 21 May 2009
- “Advances” the amounts advanced by Extrawell BVI to the Smart Ascent Group during each of the five years ended 31 March 2009 and up to the date of this announcement
- “Announcements” the announcements of the Company dated 3 April 2009 and 23 July 2009 respectively in relation to, among others, the update on the proposal for resumption of trading in the Shares
- “Board” board of Directors

“Company”	Extrawell Pharmaceutical Holdings Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“Extrawell BVI”	Extrawell (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Fosse Bio”	Fosse Bio-Engineering Development Ltd., a company incorporated in Hong Kong with limited liability, 51% interests of which are owned by Smart Ascent
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board”	the independent board comprising the three independent non-executive Directors formed for, among other purposes, conducting investigation of the 2004 Transaction and the 2007 Transaction
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Medicine”	Oral Insulin Enteric-Coated Soft Capsules (口服胰島素腸溶膠丸), one of the oral insulin products developed by Fosse Bio in collaboration with Tsinghua University, Beijing
“Mr Ho”	Mr Ho Chin Hou, a former executive Director who had been a Director during the time the Advances were made, and who had resigned as Director with effect from 12 March 2009
“Mr Ong”	Mr Ong Cheng Heang, one of the vendors of the 2004 Transaction and the vendor of the 2007 Transaction, and the son-in-law of Mr Ho
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Smart Ascent”	Smart Ascent Limited, a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is owned as to 51% by Extrawell BVI and 49% by Mr Ong
“Smart Ascent Group”	Smart Ascent and its subsidiaries

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“THU Collaboration Arrangement”	the agreements dated 14 October 1998, 9 November 1998 and 15 October 1998 entered into between, among others, Fosse Bio and Tsinghua University, Beijing, the PRC regarding, among other matters, research and development of the use of oral insulin products
“%”	per cent.

By order of the Board
Extrawell Pharmaceutical Holdings Limited
Xie Yi
Director

Hong Kong, 14 August 2009

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*