

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED**

**精優藥業控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00858)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO A SHARE BUY-BACK TRANSACTION OF A NON-WHOLLY OWNED SUBSIDIARY**

On 31 March 2023 (after trading hours), Changchun Extrawell, a 73.11% indirect non-wholly owned subsidiary of the Company, entered into the Share Buy-Back Agreement with the Vendor, pursuant to which the Vendor has agreed to sell, and Changchun Extrawell has agreed to buy back for cancellation, the Buy-Back Shares representing approximately 9.14% of total issued share capital of Changchun Extrawell at the consideration of RMB4,400,000 (equivalent to approximately HK\$4,972,000). Upon completion of the Share Buy-Back and Share Cancellation, the Group's shareholding in Changchun Extrawell will be increased to 80.46% and Changchun Extrawell will continue to be an indirect non-wholly owned subsidiary of the Group.

As one or more applicable percentage ratios exceed 5% but all relevant percentage ratios are less than 25%, the entering into of the Share Buy-Back Agreement, the Share Buy-Back, the Share Cancellation and the transactions contemplated thereunder constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

## **INTRODUCTION**

The Board is pleased to announce that on 31 March 2023 (after trading hours), Changchun Extrawell, a 73.11% indirect non-wholly owned subsidiary of the Company, entered into the Share Buy-Back Agreement with the Vendor, pursuant to which the Vendor has agreed to sell, and Changchun Extrawell has agreed to buy back

for cancellation, the Buy-Back Shares representing approximately 9.14% of total issued share capital of Changchun Extrawell at the consideration of RMB4,400,000 (equivalent to approximately HK\$4,972,000).

The principal terms of the Share Buy-Back Agreement are set out below:

**THE SHARE BUY-BACK AGREEMENT**

**Date:**

31 March 2023

**Parties:**

Vendor: the Vendor

Purchaser: Changchun Extrawell, a 73.11% indirect non-wholly owned subsidiary of the Company

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, each of the Vendor and its ultimate beneficial owner are Independent Third Parties.

**Subject Matter:**

Pursuant to the Share Buy-Back Agreement, Changchun Extrawell shall buy back 4,570,000 shares in Changchun Extrawell, representing 9.14% of the total issued share capital of Changchun Extrawell, which is legally and beneficially owned by the Vendor as at the date of this announcement.

**Consideration:**

The Consideration for the Share Buy-Back is RMB4,400,000 (equivalent to approximately HK\$4,972,000) which will be paid by Changchun Extrawell in cash to the Vendor in one lump sum within seven (7) days upon Completion. The Consideration will be funded by Changchun Extrawell’s internal cash resources.

The Consideration was determined after arm’s length negotiation between Changchun Extrawell and the Vendor, having taken into account the financial performance and cash resources of Changchun Extrawell, and the factors further described in the section headed “REASONS FOR AND BENEFITS OF THE SHARE BUY-BACK” below.

## **Conditions to Completion**

Completion of the Share Buy-Back and Share Cancellation is conditional upon the satisfaction of the following conditions (the “**Conditions**”) after the entry into the Share Buy-Back Agreement:

- (a) the shareholders of each of Changchun Extrawell and the Vendor having passed resolutions authorizing the Share Buy-Back; and
- (b) the Share Buy-Back and the Share Cancellation having been executed and registered with the relevant authorities including but not limited to the relevant Administration for Industry and Commerce of the PRC, the amended articles of association of Changchun Extrawell reflecting the Share Cancellation having been executed, and the contents of such registration, amendment, licence and document being reasonably satisfactory to Changchun Extrawell.

None of the Conditions above is capable of being waived by the Parties. If all of the above Conditions have not been fulfilled on or before 5:00 p.m. on 31 May 2023 (or such other date as the Parties may from time to time agree in writing), none of the Parties shall be obliged to proceed to the Completion and none of the Parties shall have any claim against each other save for any antecedent breaches.

## **Completion**

Completion will take place on the day on which the last of the Conditions has been fulfilled (or such other date as agreed between the Parties).

## **Effect of the Share Buy-Back and Share Cancellation**

As at the date of this announcement, the total number of issued shares of Changchun Extrawell is 50,000,000 shares, all of which has been fully paid up, comprising of 50,000,000 shares at the nominal value of RMB1.00 per share which is held by the Company (indirectly through EEL), the Vendor, Shareholder A, Shareholder B, Shareholder C and Shareholder D as to 73.11%, 9.14%, 9.14%, 3.66%, 3.12% and 1.83% respectively.

Immediately upon Completion, the total number of issued shares of Changchun Extrawell will be reduced from 50,000,000 shares to 45,430,000 shares, and as a result of Share Cancellation its registered capital will be reduced from RMB50,000,000 to RMB45,430,000, accordingly the shareholding interest of the Group in Changchun Extrawell will be increased from 73.11% to 80.46%. Changchun Extrawell will then be owned by the Company (indirectly through EEL), Shareholder A, Shareholder B, Shareholder C and Shareholder D as to 80.46%, 10.06%, 4.03%, 3.43% and 2.02% respectively. Changchun Extrawell will continue to be an indirect non-wholly owned subsidiary of the Group after Completion and the financial results (including earnings,

assets and liabilities) of Changchun Extrawell will be consolidated into the financial statements of the Group. After Completion, Changchun Extrawell will be owned as to approximately 10.06% by Shareholder A and therefore Shareholder A will become a substantial shareholder of Changchun Extrawell and a connected person of the Company at the subsidiary level pursuant to the Listing Rules. Set out below are the shareholding structures of Changchun Extrawell as at the date of this announcement and after Completion:

<b>Shareholders</b>	<b>Approximate percentage of shareholding in Changchun Extrawell</b>	
	<i>As at the date of this announcement</i>	<i>After Completion</i>
The Company (indirectly through EEL)	73.11%	80.46%
The Vendor	9.14%	0%
Shareholder A	9.14%	10.06%
Shareholder B	3.66%	4.03%
Shareholder C	3.12%	3.43%
Shareholder D	1.83%	2.02%
<b>Total</b>	<u>100%</u>	<u>100%</u>

## **INFORMATION OF CHANGCHUN EXTRAWELL AND THE VENDOR**

Changchun Extrawell is a joint stock limited company incorporated in the PRC and is principally engaged in the development, manufacture and sales of pharmaceutical products in the PRC. As at the date of this announcement, Changchun Extrawell is owned by EEL, the Vendor, Shareholder A, Shareholder B, Shareholder C and Shareholder D as to 73.11%, 9.14%, 9.14%, 3.66%, 3.12% and 1.83% respectively.

The Vendor is a limited liability company established in the PRC and is wholly owned by Ms. 王桂敏 who is also the legal representative of the Vendor. The principal business of the Vendor is mainly engaged in the business of construction materials and automobile parts.

Except that Shareholder D is owned by Mr. Chan Lian Bang, the director of Changchun Extrawell and his spouse, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, each of the Vendor, Shareholder A, Shareholder B and Shareholder C and their respective ultimate beneficial owners are Independent Third Parties.

Set out below is the financial information of Changchun Extrawell, extracted from the Group's audited consolidated financial statements for the years ended 31 March 2022 and 2021 contained in the Company's 2022 and 2021 annual reports, and incorporated in its 2022–23 interim report for the six months ended 30 September 2022:

	<b>For the Year ended</b>		<b>For the</b>
	<b>31 March</b>	<b>31 March</b>	<b>6 months ended</b>
	<b>2022</b>	<b>2021</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)
Revenue	73,925	78,802	34,095
Net profit before taxation	3,099	5,336	629
Net profit after taxation	1,870	5,336	445

The unaudited total assets and net asset values of Changchun Extrawell as at 31 January 2023 are approximately HK\$175,516,000 (approximately RMB155,324,000) and HK\$3,343,000 (approximately RMB2,958,000) respectively.

#### **REASONS FOR AND BENEFITS OF THE SHARE BUY-BACK**

The Company is an investment holding company and the Group is principally engaged in the development, manufacture and sales of pharmaceutical products in the PRC, the marketing and distribution of pharmaceutical products to customers in the PRC, and the business of commercial exploitation and development of genome-related technology.

As part of the development strategy of the Group, and in line with the development trends of the pharmaceutical industry in the PRC, the Group has been focusing on enhancing Changchun Extrawell's production capability and capacity so as to enhance its core competitiveness and sustain the long-term development of the Group. As disclosed in the Group's consolidated financial statements contained in the Company's 2022, 2021 and 2020 annual reports, Changchun Extrawell achieved profit in the three years ended 31 March 2022, 2021 and 2020 in the amount of about HK\$1,870,000, HK\$5,336,000 and HK\$8,556,000 respectively. In light of the volatile market condition impacted by the COVID-19 pandemic since early 2020, though Changchun Extrawell has delivered positive results to the Group for the recent three financial years, the Group considers that it would be appropriate to maintain its principle to reinvest with Changchun Extrawell's operating cash flows for the purpose of advancing Changchun Extrawell's manufacturing strengths, and expanding its market share, to strengthen Changchun Extrawell's foundation for sustainable development amid the

highly challenging operating environment in the PRC, such that Changchun Extrawell refrained from making any dividend payout to its shareholders in the past years and indicated its continued adherence to such principle in the near future.

As the pandemic control measures in the PRC have been substantially lifted from early 2023 and the prolonged pandemic disruptions have significantly been reduced that the supply chain interruptions that may impact business operations will be gradually minimized, the Board expects that the pharmaceutical manufacturing sector in the PRC will continue to prosper and holds its optimistic view on the future prospect of Changchun Extrawell in the years to come. The Board considers that the Share Buy-Back provides an opportune time for the Group to consolidate its control and ownership of Changchun Extrawell by utilizing Changchun Extrawell's own cash resources, without affecting the normal business operations of Changchun Extrawell and the Group, and expects that the Share Buy-Back would enhance the earnings per share of Changchun Extrawell.

The Share Buy-Back was initiated by the Vendor who intended to cash out its investment in Changchun Extrawell and seek other investment opportunities. Except for the Vendor, the other shareholders of Changchun Extrawell have no intention to cash out their investments in Changchun Extrawell.

The Consideration in the sum of RMB4,400,000 which is below the nominal value per share of Changchun Extrawell, and was determined after arm's length negotiation between Changchun Extrawell and the Vendor. The Consideration shall be funded by Changchun Extrawell's internal cash resources. As at the date of this announcement, Changchun Extrawell has cash and cash equivalents amounting to about RMB26,000,000.

Taking into account the above factors in addition to the financial performance of Changchun Extrawell and its available cash resources, the Board is of the view that the Share Buy-Back Agreement, the Share Buy-Back, the Share Cancellation and the transactions contemplated thereunder are conducted on normal commercial terms, fair and reasonable and are in the interest of the Company and its shareholder as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more applicable percentage ratios exceed 5% but all relevant percentage ratios are less than 25%, the entering into of the Share Buy-Back Agreement, the Share Buy-Back, the Share Cancellation and the transactions contemplated thereunder constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

After Completion, Shareholder A will become a substantial shareholder of Changchun Extrawell and a connected person of the Company within the meaning of Chapter 14A of the Listing Rules at the subsidiary level.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms and expressions shall have the following meanings when used herein.

“Board”	the board of Directors
“Buy-Back Shares”	4,570,000 issued shares of Changchun Extrawell representing 9.14% of the total issued share capital of Changchun Extrawell held by the Vendor to be bought back by Changchun Extrawell pursuant to the Share Buy-Back Agreement
“Changchun Extrawell”	Changchun Extrawell Pharmaceutical Co., Ltd., a joint stock limited company incorporated in the PRC and an indirect non-wholly owned subsidiary of the Company, whose shares are owned as to 73.11%, 9.14%, 9.14%, 3.66%, 3.12% and 1.83% by EEL, the Vendor, Shareholder A, Shareholder B, Shareholder C and Shareholder D respectively as at the date of this announcement. It will be owned by EEL, Shareholder A, Shareholder B, Shareholder C and Shareholder D as to 80.46%, 10.06%, 4.03%, 3.43% and 2.02% respectively after the Completion and will continue to be the indirect non-wholly owned subsidiary of the Company
“Company”	Extrawell Pharmaceutical Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 858)
“Completion”	completion of the Share Buy-Back and Share Cancellation pursuant to the terms of the Share Buy-Back Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules

“Consideration”	the consideration payable by Changchun Extrawell to the Vendor for the Share Buy-Back in the amount of RMB4,400,000 (equivalent to approximately HK\$4,972,000)
“Director(s)”	the director(s) of the Company
“EEL”	Extrawell Enterprises Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third parties independent of the Company and are not connected persons (as defined under the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the parties to the Share Buy-Back Agreement, namely, Changchun Extrawell and the Vendor and the “Party” refers to each of them
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share Buy-Back”	the proposed buy-back of the Buy-Back Shares by Changchun Extrawell from the Vendor pursuant to the Share Buy-Back Agreement
“Share Buy-Back Agreement”	the share buy-back agreement dated 31 March 2023 entered into between the Vendor and Changchun Extrawell in relation to the Share Buy-Back
“Share Cancellation”	the cancellation of Buy-Back Shares following the Share Buy-Back pursuant to the Share Buy-Back Agreement



“Shareholder A”	長春市韓都鼎業房地產策劃銷售有限公司, a company established in the PRC with limited liability
“Shareholder B”	源合盛(吉林)保健品有限公司, a company established in the PRC with limited liability
“Shareholder C”	長春市杰瑞貿易有限公司, a company established in the PRC with limited liability
“Shareholder D”	撫松縣明大特產經銷有限公司, a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	吉林省澤遠實業有限公司, a company established in the PRC with limited liability
“%”	per cent

*For illustration purpose only, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK1.13.*

By order of the Board  
**Extrawell Pharmaceutical Holdings Limited**  
**Xie Yi**  
*Chairman*

Hong Kong, 31 March 2023

*As at the date of this announcement, the executive directors are Dr. Xie Yi, Mr. Cheng Yong, Dr. Lou Yi and Ms. Wong Sau Kuen, and the independent non-executive directors are Mr. Fang Lin Hu and Ms. Jin Song.*

\* *For identification purpose only*