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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)

DISPOSAL OF PRODUCTION FACILITIES

Extrawell Pharmaceutical Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) makes this announcement in accordance with Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Part XIVA of the Securities and Futures Ordinance.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 6 August 2013, Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd. (“**Jilin Extrawell**”), an indirect wholly-owned subsidiary of the Company, entered into a building and land transfer agreement (the “**Transfer Agreement**”) with Jilin Science and Technology Information Research Institute (吉林省科學技術信息研究所) (the “**Purchaser**”) pursuant to which Jilin Extrawell has agreed to sell and the Purchaser has agreed to acquire the Property (as defined below) on terms and conditions as further described below (the “**Disposal**”).

THE TRANSFER AGREEMENT

Date

6 August 2013

Parties

Vendor: Jilin Extrawell, an indirect wholly-owned subsidiary of the Company

Purchaser: Jilin Science and Technology Information Research Institute (吉林省科學技術信息研究所)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner(s) are independent of the Company and its connected persons.

Assets to be sold

The Property comprises a piece of industrial use land situated at No. 940, Shenzhen Street, Economic and Technological Development Zone, Erdao District, Changchun, the People's Republic of China (the "PRC") with an aggregate site area of 12,846.9 sq.m., together with buildings, production facilities, structures and attachments located thereon and thereunder.

Consideration

The consideration (the "**Consideration**") shall be RMB45,000,000 (equivalent to approximately HK\$56,930,000) which shall be payable by the Purchaser within 20 days upon signing of the Transfer Agreement. The Consideration was determined after arm's length negotiation between the parties to the Transfer Agreement, taking into account of, amongst others, the valuation of the Property by an independent qualified PRC property valuer on fair value basis.

Jilin Extrawell shall assist on the registration of transfer of ownership of the Property within three days upon receipt of the Consideration.

Completion

Completion (the "**Completion**") shall take place within three days upon completion of registration of transfer of ownership of the Property from Jilin Extrawell to the Purchaser, whereby Jilin Extrawell shall deliver the Property to the Purchaser.

Defaults

If any party fails to perform its obligations under the Transfer Agreement within the prescribed timeframe, the defaulting party is obliged to pay to the other party a default interest for the number of days delayed at a daily rate of 0.01% of the Consideration, with a cap of not exceeding 20% of the Consideration. If such default lasts for more than seven days, the other party shall have the right to terminate the Transfer Agreement and the defaulting party shall be liable for damages suffered by the other party as a result of such default and, in the case of Jilin Extrawell in default, Jilin Extrawell shall also refund all the Consideration already paid by the Purchaser.

In the event of any of the circumstances below, Jilin Extrawell shall be liable to pay to the Purchaser a default compensation representing 20% of the Consideration, or the Purchaser may terminate the Transfer Agreement and Jilin Extrawell shall refund all the Consideration already paid by the Purchaser and be liable for damages incurred:

- (1) Jilin Extrawell does not possess the right to dispose of the Property, is in default and fails to complete the registration of transfer of ownership of the Property to the Purchaser within the prescribed timeframe, or Completion fails to take place as a result of breach of warranties and obligations by Jilin Extrawell as stipulated in the Transfer Agreement;
- (2) there are material structural defects in the Property which prevent normal use of the Property; or

- (3) Jilin Extrawell wrongfully terminates the Transfer Agreement, or transfers the Property to a third party after signing of the Transfer Agreement, or the Purchaser fails to complete the Transfer Agreement or terminates the Transfer Agreement as a result of default by Jilin Extrawell.

If the Purchaser wrongfully terminates the Transfer Agreement, the Purchaser shall be liable to pay to Jilin Extrawell a default compensation representing 20% of the Consideration, or Jilin Extrawell may terminate the Transfer Agreement and forfeit all the Consideration already paid by the Purchaser and the Purchaser shall be liable for damages incurred.

Information on the Group, Jilin Extrawell and the Purchaser

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

Jilin Extrawell is a wholly foreign-owned enterprise established in the PRC with a registered capital of RMB33,000,000, which is owned as to 60% by the Company and as to 40% by Smart Phoenix Holdings Limited, an indirect wholly-owned subsidiary of the Company. It is principally engaged in the development, manufacture and sales of pharmaceutical products in the PRC.

The Purchaser is a research institute financed and operated under the Jilin Provincial Science and Technology Department of Jilin Provincial government.

Reasons for and benefits of entering into the Transfer Agreement

As one of the Group's development strategy and to cope with the ever-changing competitive landscape in the PRC, it is the intention of the Group to consolidate the resources of its manufacturing operations in Changchun, the PRC. Leveraging the opportunities of plant relocation by Changchun Extrawell Pharmaceutical Co., Ltd. ("**Changchun Extrawell**"), a 73%-owned subsidiary of the Company, to the Economic Development Zone of Jiu Tai, Changchun, the PRC, by the end of 2013, the Group considers it desirable and appropriate to strategically relocate the production facilities of Jilin Extrawell to the site of Changchun Extrawell to facilitate overall planning and achieve economy of scale in the utilisation of resources.

As at 30 June 2013, the net book value of the Property amounted to approximately HK\$28,130,000. It is anticipated that the Company will record a gain from the Disposal of approximately HK\$28,800,000 (exclusive of land appreciation tax, sales tax and other professional fees to be incurred, if any), being the difference between the Consideration and the net book value of the Property as at 30 June 2013.

The proceeds from the Disposal will be used for capital expenditure of setting up new production facilities in Jiu Tai, Changchun, the PRC for Jilin Extrawell and for funding the working capital requirements within the manufacturing segment of the Group.

To enable Jilin Extrawell to continue its manufacturing operation prior to setting up its new production facilities in Jiu Tai, Changchun, the PRC, it is expected that upon Completion, Jilin Extrawell will enter into a lease agreement with the Purchaser, to allow Jilin Extrawell to lease back the existing production facilities at No. 940, Shenzhen Street, Economic and Technological Development Zone, Erdao District, Changchun, the PRC up to 31 December 2014.

The Group believes that the Disposal and arrangement upon Completion would offer the Group the flexibility and benefits of consolidating the manufacturing operations within Changchun, the PRC and facilitate the long-term development of the Group. The Directors consider that the terms of the Transfer Agreement and the Consideration are fair and reasonable and in the interest of the Company and its shareholders as a whole.

(For the purpose of illustration only, translation of RMB into HK\$ is made at the exchange rate of RMB1 to HK\$1.265.)

Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

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

Hong Kong, 6 August 2013

As at the date of this announcement, the executive Directors are Dr. Mao Yumin, 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*