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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)

### **COOPERATION REGARDING THE ESTABLISHMENT OF AN ORAL INSULIN MANUFACTURING PLANT IN THE PRC VERY SUBSTANTIAL ACQUISITION AND RESUMPTION OF TRADING**

The Board is pleased to announce that on 19 October 2006, Welly Surplus, a non wholly-owned subsidiary of the Company, entered into the Cooperation Agreement and the SP Agreement with Sea Ascent for the establishment of Jiangsu Prevalence and the construction of the Plant by Sea Ascent for the production of the Medicine in the PRC and the acquisition thereof by the Group thereafter.

Under the Cooperation Agreement, Sea Ascent has agreed to procure Joy Kingdom, a company which is wholly owned by it as at the date of this announcement, to establish Jiangsu Prevalence which will in turn acquire the Land and construct the Plant at Pi Zhou City, Jiangsu, the PRC for the production of the Medicine. Sea Ascent shall procure that the Plant shall have an annual production capacity of at least 1.5 billion capsules of the Medicine, with the gross floor area sufficient for expanding its annual production capacity to at least 3 billion capsules of the Medicine, and satisfy the standards as required for obtaining the compliance certificate under the Guidelines on Good Manufacturing Practices for Pharmaceuticals (藥品生產質量管理規範) for the production of the Medicine. The above shall be financed by Sea Ascent by way of an unsecured, non-interest bearing Shareholder's Loan for the principal amount of RMB40 million to Joy Kingdom. Subject to Completion, Welly Surplus shall procure Joy Kingdom or, if the parties so agreed, Jiangsu Prevalence to pay to Sea Ascent, during the Initial Operating Period, a fee calculated by at RMB6 cents for each Medicine produced, up to a maximum of RMB180 million (on the basis that the maximum annual production capacity of 3 billion capsules of Medicine for the Plant and subject to such deduction as mentioned below).

The Cooperation Agreement is conditional and shall become effective on the date on which approval of the Cooperation Agreement by the Shareholders at general meeting of the Company being obtained, and shall terminate upon expiry of the Initial Operating Period.

Under the SP Agreement, Welly Surplus has agreed to acquire the Sale Share and the Shareholder's Loan from Sea Ascent at the respective consideration of RMB40 million and HK\$1, respectively. Completion by Welly Surplus under the SP Agreement is subject to satisfaction of the conditions as set out in the paragraph "Conditions of the SP Agreement" under the section headed "The SP Agreement" below.

As the applicable consideration ratio (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Cooperation and the Acquisition (which is calculated by reference to the aggregate consideration payable to Sea Ascent under the SP Agreement of approximately RMB40 million and the aggregate maximum possible fees payable to Sea Ascent during the Initial Operating Period of RMB1,080 million under the Cooperation Agreement) is more than 100%, the Cooperation and the Acquisition constitute a very substantial acquisition of the Company under the Listing Rules. Therefore, the Cooperation and the Acquisition are subject to the disclosure requirements and the approval of the Shareholders at a general meeting of the Company under Chapter 14 of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder has a material interest in the transactions contemplated under the Cooperation Agreement and/or the SP Agreement and therefore no Shareholders or their respective Associates are required to abstain from voting on the resolutions proposed to be passed for approving the Cooperation, the Acquisition and any matters relating thereto at the general meeting to be convened for such purposes.

A circular containing, among other things, further details of the Cooperation Agreement and the SP Agreement, the financial information of the Group and Joy Kingdom, the valuation report in respect of the land and buildings of the Group and that of Joy Kingdom and Jiangsu Prevalence (if any) and a notice of the SGM, will be despatched to Shareholders as soon as practicable.

At the request of the Company, the Shares have been suspended from trading on the Stock Exchange from 9:30 a.m. on 20 October 2006, pending the issue of this announcement. Application has been made by the Company for the resumption of trading of the Shares with effect from 9:30 a.m. on 25 October 2006.

The Group, through one of the Company's non-wholly owned subsidiaries, Fosse Bio, has been principally engaged in the joint research and development of the technologies for the manufacturing of oral insulin products with Tsinghua University, Beijing. The Group is entitled to commercialise the technologies so developed and to manufacture and sell the oral insulin products derived therefrom on an exclusive basis.

One of the oral insulin products developed thereby is the Medicine. For the reasons as mentioned under the paragraph headed "Reasons for and benefits of the Cooperation and the Acquisition" as mentioned below, pending obtaining all necessary approvals for the production of the Medicine, including the approval of the New Medicine Certificate (新藥證書) and the approval number (生產文號) in respect of the Medicine, the Group entered into the Cooperation Agreement and the SP Agreement with Sea Ascent for the establishment of Jiangsu Prevalence and the construction of the Plant by Sea Ascent for the production of the Medicine in the PRC and the acquisition thereof by the Group thereafter.

## **THE COOPERATION AGREEMENT**

### **Date of the Cooperation Agreement**

19 October 2006

### **Parties to the Cooperation Agreement**

- (i) Welly Surplus, a non-wholly owned subsidiary of the Company which is owned as to 51% by Smart Ascent Limited, which is in turn indirectly owned as to 51% by the Company;
- (ii) Sea Ascent, a company incorporated in Hong Kong with limited liability which is wholly owned by Mr. Wang Wei, who is an Independent Third Party. Mr. Wang Wei was first introduced to the Group by some of the minority shareholders and directors of Fosse Bio. Sea Ascent is an investment holding company and, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Sea Ascent and the ultimate beneficial owner thereof are third parties independent of the Company and are not connected persons of the Company. Save for the Cooperation and the Acquisition, the Group had not entered into any other transaction with Sea Ascent and/or Mr. Wang Wei prior to the date of this announcement; and
- (iii) Fosse Bio, an indirect non-wholly owned subsidiary of the Company and the guarantor to guarantee the performance of Welly Surplus under the Cooperation Agreement.

### **Principal obligations of Sea Ascent under the Cooperation Agreement**

Under the Cooperation Agreement, Sea Ascent has undertaken to Welly Surplus that it will procure the following:

- (i) *Establishment of Jiangsu Prevalence*  
Joy Kingdom is a company incorporated in the British Virgin Islands with limited liability and, as at the date of this announcement, is wholly owned by Sea Ascent. Under the Cooperation Agreement, Sea Ascent shall procure Joy Kingdom to establish a wholly foreign owned enterprise in the PRC under the proposed name of 江蘇派樂施藥業有限公司 (Jiangsu Prevalence Pharmaceutical Limited), with the proposed registered capital of US\$1 million.
- (ii) *Provision of the Shareholder's Loan*  
Sea Ascent shall advance a sum equivalent to RMB40 million to Joy Kingdom by way of an unsecured, non-interest bearing Shareholder's Loan, which shall be used for the following purposes:
  - (a) to pay up the registered capital of Jiangsu Prevalence;
  - (b) to finance Jiangsu Prevalence for the acquisition of the land use rights of a piece of land for industrial use at Pi Zhou City, Jiangsu, the PRC within 10 days after the date on which the Cooperation Agreement becoming effective in accordance with its terms (that is, on the date on which approval of the Cooperation Agreement by the Shareholders at general meeting of the Company being obtained). The Land shall have a site area of not less than 140 mu, and the land use rights shall last for 50 years; and
  - (c) to finance the construction of the Plant.

(iii) *Acquisition of the Land and construction of the Plant*

Sea Ascent shall procure Jiangsu Prevalence to acquire the Land and construct the Plant and shall not, save for the Acquisition as contemplated under the SP Agreement and the Cooperation Agreement, dispose of or otherwise create any encumbrance over any equity and loan interest, the Land, the Plant and/or any machineries or facilities therein.

The construction of the Plant must be completed within nine months after the date on which the Cooperation Agreement becoming effective in accordance with its terms. The Plant should comply with, among others, the following scale and conditions:

- (a) the Plant must have an annual production capacity of at least 1.5 billion capsules of the Medicine;
- (b) the gross floor area of the Plant must be sufficient for installing additional machineries and production lines so as to improve the Plant's annual production capacity to at least 3 billion capsules of the Medicine; and
- (c) the Plant must satisfy the standards as required for obtaining the compliance certificate under the Guidelines on Good Manufacturing Practices for Pharmaceuticals (藥品生產質量管理規範) for the production of the Medicine.

**Principal obligations of the Group under the Cooperation Agreement**

Under the Cooperation Agreement, Welly Surplus has undertaken to Sea Ascent that it will procure the following:

- (i) subject to the performance by Sea Ascent of its obligations as mentioned in the paragraph "Principal obligations of Sea Ascent under the Cooperation Agreement" above and the completion of the Acquisition pursuant to the terms and conditions of the SP Agreement, Welly Surplus shall procure Joy Kingdom or, if so agreed between the parties, Jiangsu Prevalence to pay to Sea Ascent, during the Initial Operating Period, a fee calculated at RMB6 cents for each capsule of Medicine produced (which complies with the production specifications and requirements), provided that:
  - (a) the aggregate fees payable to Sea Ascent for each year shall not exceed RMB180 million (which was determined on the basis of the maximum possible annual production capacity of 3 billion capsules of Medicine for the Plant and subject to such deduction as mentioned below);
  - (b) the fees payable to Sea Ascent under sub-paragraph (a) above shall be subject to deduction therefrom of a sum representing the product of such fees multiplied by the then prevailing corporate income tax rate applicable to Jiangsu Prevalence under the applicable PRC laws and regulations;
  - (c) if Jiangsu Prevalence is entitled to tax exemption in respect of its corporate income tax, no deduction from the fees under sub-paragraph (b) above is required or, if such tax exemption is offered to Jiangsu Prevalence by way of tax refund, Joy Kingdom or, if so agreed between the parties, Jiangsu Prevalence shall, within seven days after receipt thereby of such tax refund, pay the fees so deducted under sub-paragraph (b) above to Sea Ascent;
  - (d) if Jiangsu Prevalence is entitled to any tax deduction in respect of its corporate income tax, the sum to be deducted from the fees as referred to in sub-paragraph (b) above shall be calculated by reference to such tax deduction or, if the tax deduction is offered to Jiangsu Prevalence by way of tax refund, Joy Kingdom or, if so agreed between the parties, Jiangsu Prevalence shall, within seven days after receipt thereby of such tax refund, pay the excessive amount of fees so deducted under sub-paragraph (b) above to Sea Ascent;

The above fees payable to Sea Ascent shall be settled within seven days after the end of each calendar month during the Initial Operating Period and by reference to such Medicine sold and the selling price thereof received by the Group during such relevant calendar month, provided that:

- (aa) in respect of any Medicine sold and delivered, the selling price of which has not been paid by the relevant customer within six months after delivery thereof to such customer, the fees payable to Sea Ascent in respect of such Medicine shall be settled within seven days after the expiry of such six-month period; and
- (bb) notwithstanding sub-paragraph (aa) above, the fees payable to Sea Ascent in respect of any unsold Medicine and any sold but unpaid Medicine as at the expiry of the Initial Operating Period shall be settled within one month after the expiry of the Initial Operating Period.

- (ii) subject to the performance by Sea Ascent of its obligations as mentioned in the paragraph “Principal obligations of Sea Ascent under the Cooperation Agreement” above and the satisfaction of other conditions of the SP Agreement as mentioned in the paragraph headed “Conditions of the SP Agreement” under the section headed “The SP Agreement” below, Welly Surplus shall complete the acquisition of the Sale Share and the Shareholder’s Loan in accordance with the terms and conditions of the SP Agreement;
- (iii) after Completion and the commencement of the production of Jiangsu Prevalence and during the term of the Cooperation Agreement, if the consolidated current assets value of Joy Kingdom as at the end of any financial year is less than RMB40 million, Welly Surplus shall procure Joy Kingdom not to distribute any dividend in respect of the profit of that financial year; and
- (iv) 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.

The fee payable by Joy Kingdom or, if so agreed between the parties, Jiangsu Prevalence to Sea Ascent as referred to in sub-paragraph (i) above was determined after arm’s length negotiations between Sea Ascent and the Group, taking into account the risk assumed by Sea Ascent in respect of its investment in Joy Kingdom, Jiangsu Prevalence and the Plant prior to the commercial production of the Medicine and the launch thereof to the market and its commitment to perform its obligations as set out in the Cooperation Agreement, the estimated production cost of the Medicine if the Medicine were to be produced by independent sub-contractors rather than by the Group itself and the estimated selling price of the Medicine, the estimated sales of the Medicine and the growth rate thereof during the Initial Operating Period and the estimated fees payable to Sea Ascent on that basis under the Cooperation Agreement. Such fee shall be financed by the then internal resources of the Group. The Directors, including the independent non-executive Directors, consider that the above fees payable to Sea Ascent are fair and reasonable.

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 under sub-paragraphs (i), (ii) and (iv) above, provided that the maximum liability of Fosse Bio under such guarantee shall not exceed 51% of the Secured Liabilities.

#### **Further expansion of the Plant**

Under the Cooperation Agreement, Welly Surplus has also agreed to grant to Sea Ascent the right of first refusal for cooperation with Welly Surplus in respect of the expansion of the Plant’s annual production capacity from 1.5 billion to 3 billion capsules of the Medicine. Such further cooperation is subject to (a) signing of formal agreement between Welly Surplus and Sea Ascent in respect thereof; and (b) compliance by the Company of the applicable requirements under the Listing Rules and other applicable laws and regulations in respect thereof.

#### **Term of the Cooperation Agreement**

The Cooperation Agreement is conditional and shall become effective on the date on which approval of the Cooperation Agreement by the Shareholders at general meeting of the Company being obtained, and shall terminate upon expiry of the Initial Operating Period.

### **THE SP AGREEMENT**

#### **Date of the SP Agreement**

19 October 2006

#### **Parties to the SP Agreement**

- (i) Welly Surplus, as the purchaser;
- (ii) Sea Ascent, as the vendor.

#### **Assets to be acquired:**

Under the SP Agreement, Welly Surplus has agreed to acquire from Sea Ascent, and Sea Ascent has agreed to sell the Sale Share and the Shareholder’s Loan to Welly Surplus. The Sale Share represents the entire issued share capital of Joy Kingdom. As represented by Sea Ascent, Joy Kingdom was newly incorporated and has not been engaged in any business activity since its incorporation. Pursuant to the Cooperation Agreement, immediately prior to Completion, Joy Kingdom will be an investment holding company holding 100% interest in the registered capital of Jiangsu Prevalence. Jiangsu Prevalence will be principally engaged in the operation of the Plant, which will comply with the requirements as prescribed under the Cooperation Agreement, for the production of the Medicine.

The principal amount of the Shareholder’s Loan shall be RMB40 million, which shall represent the principal amount of the unsecured, non-interest bearing loan to be advanced by Sea Ascent to Joy Kingdom under the Cooperation Agreement. The Shareholder’s Loan shall be due and repayable by Joy Kingdom, in whole or in part, by such repayment date as may be from time to time resolved by the board of directors of Joy Kingdom after taking into account the then working capital requirements of Joy Kingdom.

Based on its unaudited management accounts of Joy Kingdom, the unaudited net loss of Joy Kingdom for the period from 15 May 2006, being its date of incorporation, to 30 September 2006 amounted to HK\$7,200 and it had unaudited net liabilities of HK\$7,192 as at 30 September 2006.

### **The Consideration**

The consideration payable by Welly Surplus for the Sale Share shall be RMB40,000,000, and the consideration payable by Welly Surplus for the Shareholder's Loan amounted to HK\$1. The consideration shall be payable in the following manner:

- (i) upon Completion, Welly Surplus shall pay to Sea Ascent an aggregate of RMB\$10,000 and HK\$1 in cash, HK\$1 of which being the consideration payable for the acquisition of the Shareholder's Loan and the balance thereof being part payment of the consideration for the acquisition of the Sale Share; and
- (ii) the balance of the consideration for the acquisition of the Sale Share, being RMB39,990,000, shall be payable by Welly Surplus in cash within one month after the expiry of the Initial Operating Period.

If the conditions as referred to in sub-paragraphs (iii) or (iv) under the paragraph headed "Conditions of the SP Agreement" below cannot be fulfilled due to the failure on the part of Sea Ascent, or the Completion does not take place due to the default of Sea Ascent, then without prejudice to the rights of Welly Surplus under the SP Agreement, Sea Ascent may choose to proceed with Completion provided that, in such event, Welly Surplus shall be entitled to acquire the Sale Share and the advance then owed to Sea Ascent by Joy Kingdom at the respective nominal consideration of HK\$1.

The above consideration was determined after arm's length negotiations between Sea Ascent and the Group, taking into account the unaudited net liabilities of Joy Kingdom (which amounted to HK\$7,192 as at 30 September 2006) and amount of the advance committed to be made by Sea Ascent to Joy Kingdom and Jiangsu Prevalence (which amounted to RMB40 million). The amount of the advance committed was determined by the parties based on the estimated investment cost for the establishment of the Plant and the consideration payable for the acquisition of the Land to be acquired by Jiangsu Prevalence. Such consideration shall be financed by the then internal resources of the Group. The Directors, including the independent non-executive Directors, consider that the above consideration payable by Welly Surplus are fair and reasonable.

### **Conditions of the SP Agreement**

Completion is conditional upon, among other conditions, the following conditions being fulfilled:

- (i) the approval by the Shareholders of the SP Agreement and the transactions contemplated hereby in accordance with the Listing Rules and the bye-laws of the Company;
- (ii) a legal opinion to be issued by a firm of qualified PRC lawyers, which should cover, among other matters, the legal and valid incorporation and subsistence of Jiangsu Prevalence, the ownership of Joy Kingdom in the equity interest in Jiangsu Prevalence, the ownership and title of the Land and the Plant, having been obtained;
- (iii) the Cooperation Agreement becoming effective in accordance with its terms, and Sea Ascent having provided Welly Surplus with evidence confirming the due performance of its obligations under the Cooperation Agreement as mentioned in paragraph "Principal obligations of Sea Ascent under the Cooperation Agreement" under the section headed "The Cooperation Agreement" above; and
- (iv) the construction of the Plant having been completed in accordance with the terms of the Cooperation Agreement and the Plant complies with the requirements as set out in sub-paragraph (iii) of the paragraph "Principal obligations of Sea Ascent under the Cooperation Agreement" under the section headed "The Cooperation Agreement" above.

In the event that any of these conditions has not been fulfilled on or before 12:00 noon on 30 November 2007 or such later date and time as the parties may mutually agree, the SP Agreement shall forthwith terminate (save in respect of the confidentiality provisions thereof). Save in respect of claims arising out of any antecedent breach of the terms of the SP Agreement, none of the parties thereof shall have any obligations and liabilities under the SP Agreement.

Completion shall take place at 10:00 a.m. on the third business day after the date on which all of the above conditions have been satisfied, or such other date and time as the parties may agree. To monitor the performance of Sea Ascent under the SP Agreement and the Cooperation Agreement, Sea Ascent has agreed under the SP Agreement that it will procure Joy Kingdom to appoint a person nominated by Welly Surplus as a director of Joy Kingdom pending Completion.

## **REASONS FOR AND BENEFITS OF THE COOPERATION AND THE ACQUISITION**

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

Sea Ascent is an investment holding company. Its sole shareholder, Mr. Wang Wei, was principally engaged in the investments of real properties and healthcare products in Jiangsu, the PRC. He has extensive experience in investment at Pi Zhou City, Jiangsu, the PRC, where the Plant is proposed to be established.

The investment cost for constructing a pharmaceutical manufacturing plant for the production of the Medicine can be significant. The recoverability of such investment cost is also not assured as it is not impossible that the Group may not be able to obtain all necessary approvals for the production and sales of the Medicine within the anticipated time frame, or the pharmaceutical manufacturing plant to be constructed does not comply with the requirements under the Guidelines on Good Manufacturing Practices for Pharmaceuticals and other applicable standards and requirements under the PRC laws. These standards and requirements may be changed from time to time and it can be costly to comply with any subsequent modification of, additions to or new restrictions to, these compliance standards or requirements.

The Directors consider that, by entering into the Cooperation Agreement and the SP Agreement, the Group can shift the risk of non-recoverability of such investment cost to Sea Ascent on one hand, and can ensure that the Medicine can be launched to the market in a timely and efficiently manner. Accordingly, the Directors (including independent non-executive Directors) consider that the terms of the Cooperation and the Acquisition (including the amount of consideration payable to Sea Ascent under the Cooperation Agreement and the SP Agreement, comprising RMB40 million and HK\$1 for the acquisition of the Sale Share and the Shareholder's Loan, and the fees calculated at RMB6 cents for each capsule of Medicine produced during the Initial Operating Period (subject to deduction as mentioned above and an annual cap of RMB180 million)) are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

## **GENERAL**

As the applicable consideration ratio (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Cooperation and the Acquisition (which is calculated by reference to the aggregate consideration payable to Sea Ascent under the SP Agreement of approximately RMB40 million and the aggregate maximum possible fees payable to Sea Ascent during the Initial Operating Period of RMB1,080 million under the Cooperation Agreement) is more than 100%, the Cooperation and the Acquisition constitute a very substantial acquisition of the Company under the Listing Rules. Therefore, the Cooperation and the Acquisition are subject to the disclosure requirements and the approval of the Shareholders at a general meeting of the Company under Chapter 14 of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder has a material interest in the transactions contemplated under the Cooperation Agreement and/or the SP Agreement and therefore no Shareholders or their respective Associates are required to abstain from voting on the resolutions proposed to be passed for approving the Cooperation, the Acquisition and any matters relating thereto at the general meeting to be convened for such purposes.

A circular containing, among other things, further details of the Cooperation Agreement and the SP Agreement, the financial information of the Group and Joy Kingdom, the valuation report in respect of the land and buildings of the Group and that of Joy Kingdom and Jiangsu Prevalence and a notice of the SGM, will be despatched to Shareholders as soon as practicable.

At the request of the Company, the Shares have been suspended from trading on the Stock Exchange from 9:30 a.m. on 20 October 2006, pending the issue of this announcement. Application has been made by the Company for the resumption of trading of the Shares with effect from 9:30 a.m. on 25 October 2006.

## **DEFINITIONS**

In this announcement, the following words and phrases have the following meanings:

“Acquisition”	the proposed acquisition by Welly Surplus from Sea Ascent of the Sale Share and the Shareholder's Loan
“Associates”	have the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Extrawell Pharmaceutical Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares having a par value of HK\$0.01 each are listed on the main board of the Stock Exchange

“Completion”	completion of the SP Agreement in accordance with its terms and conditions
“Cooperation”	the proposed cooperation between Welly Surplus and Sea Ascent in connection with, among other matters, the establishment of Jiangsu Prevalence and the construction of the Plant in the manner as set out in the section headed “The Cooperation Agreement” above
“Cooperation Agreement”	a conditional cooperation agreement entered into between Welly Surplus, Sea Ascent and Fosse Bio on 19 October 2006 in connection with the Cooperation
“Director(s)”	the director(s) of the Company
“Fosse Bio”	Fosse Bio-Engineering Development Ltd., a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is owned as to 51% by Smart Ascent Limited, a 51%-owned indirect subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party who is independent of the Company and connected persons (has the meaning ascribed to it under the Listing Rules) of the Company
“Initial Operating Period”	a period of six years from the date on which the Medicine is launched for sales in open market
“Joy Kingdom”	Joy Kingdom Industrial Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is owned by Sea Ascent as at the date of this announcement
“Jiangsu Prevalence”	江蘇派樂施藥業有限公司 (Jiangsu Prevalence Pharmaceutical Limited), a wholly foreign owned enterprise proposed to be established and wholly owned by Joy Kingdom in the PRC pursuant to the terms of the Cooperation Agreement, with the proposed registered capital of US\$1 million
“Land”	a piece of industrial land situated at Pi Zhou City, Jiangsu, the PRC to be acquired by Jiangsu Prevalence pursuant to the terms of the Cooperation Agreement, details of which are set out in the section headed “The Cooperation Agreement” above
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Medicine”	Oral Insulin Enteric-Coated Soft Capsules (口服胰島素腸溶軟膠丸), one of the oral insulin products developed by the Group through one of the Company’s non-wholly owned subsidiary, Fosse Bio, in collaboration with Tsinghua University, Beijing
“Plant”	the pharmaceutical manufacturing plant to be constructed on the Land for the production of the Medicine pursuant to the terms of the Cooperation Agreement, details of which are set out in the section headed “The Cooperation Agreement” above
“PRC”	the People’s Republic of China and, for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Sale Share”	the one share of US\$1.00 in the issued share capital of Joy Kingdom
“Sea Ascent”	Sea Ascent Investment Limited, a company incorporated in Hong Kong with limited liability
“SGM”	the special general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the Cooperation and the Acquisition and any transactions contemplated under the Cooperation Agreement and the SP Agreement, and any adjournment thereof

“Shareholder’s Loan”	the unsecured, non-interest bearing loan for the aggregate principal sum of RMB40 million to be advanced by Sea Ascent to Joy Kingdom pursuant to the terms of the Cooperation Agreement
“Shareholders”	holders of ordinary shares of HK\$0.01 each of the Company
“SP Agreement”	a conditional sale and purchase agreement entered into between Welly Surplus and Sea Ascent on 19 October 2006 in connection with the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Welly Surplus”	Welly Surplus Development Ltd., a company incorporated in Hong Kong with limited liability, a 51%-owned subsidiary of Smart Ascent Limited which is, in turn, a 51%-owned indirect subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

List of Directors as at the date of this announcement:

*Executive Directors:*

Dr. MAO Yu Min  
Mr. HO Chin Hou  
Mr. HO Yu Ling  
Mr. LI Qiang  
Dr. XIE Yi

*Independent non-executive Directors:*

Mr. FANG Lin Hu  
Mr. XUE Jing Lun  
Ms. JIN Song

Hong Kong, 24 October 2006

\* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.