EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED

精優藥業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 00858)

DELAY IN COMPLETION OF THE CONSTRUCTION OF A PHARMACEUTICAL MANUFACTURING PLANT AND ACQUISITION OF THE PLANT

PROGRESS OF THE APPLICATION FOR REGISTRATION OF THE GROUP'S ORAL INSULIN PRODUCT

At the suggestion of SFDA and pursuant to the approval documents for conducting further clinical trial granted by the SFDA on 30 April 2008, the Group will undertake further clinical trial on the Medicine. Given the prolonged process for completing the registration of the Medicine, completion of the construction of the Plant and the acquisition thereof by the Group have been postponed.

The parties to the Cooperation Agreement and the SP Agreement are in the course of negotiation for a revised timetable for the construction of the Plant and the Longstop Date for completion of the Acquisition. An announcement will be published by the Company once an agreement is reached by the parties, which is expected to be in or around December 2008.

INTRODUCTION

Reference is made to the announcement ("**Announcement**") of Extrawell Pharmaceutical Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 24 October 2006 in relation to, among others, the SP Agreement and the Cooperation Agreement. Unless the context requires otherwise, terms defined in the Announcement shall have the same meanings when used herein.

DELAY IN COMPLETION OF THE CONSTRUCTION AND ACQUISITION OF THE PLANT

As disclosed in the Announcement, under the Cooperation Agreement, Sea Ascent, the counterparty to the Cooperation Agreement, shall procure Jiangsu Prevalence, a project company established by Sea Ascent pursuant to the Cooperation Agreement, to construct a pharmaceutical manufacturing Plant for

the production of the Medicine (namely, 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) in accordance with the terms of the Cooperation Agreement. The Plant must also satisfy, among other conditions, 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 Cooperation Agreement became effective on 3 January 2007 and, under the Cooperation Agreement, Sea Ascent is required to complete the construction of the Plant within nine months after the Cooperation Agreement becoming effective (that is, on or before 2 October 2007).

Contemporaneously upon signing of the Cooperation Agreement, the Group entered into the SP Agreement with Sea Ascent pursuant to which the Group has agreed to acquire the Plant subject to, among other conditions, the completion of the construction of the Plant.

The purpose of the Cooperation Agreement and the SP Agreement is for the Group to shift the risk of non-recoverability of investment cost in the construction of the Plant to Sea Ascent so that the Group will only be required to acquire and pay for the Plant as and when the Medicine is ready for production and sales on one hand and to ensure that the Group will be able to use the Plant as and when needed. For this purpose, the parties had agreed under the Cooperation Agreement that Sea Ascent shall cooperate with the Group regarding the construction schedule of the Plant and, in the event that further clinical trial in respect of the Medicine is required, the parties shall discuss and revise the construction schedule of the Plant accordingly.

As at the date of this announcement, the State Food and Drug Administration ("**SFDA**") has not yet approved the registration of the Medicine and, as mentioned in the section headed "Progress of the application for registration of the Medicine" below, further clinical trial of the Medicine will be undertaken. As the Group is in the process of liaising with various parties and experts on the best implementation proposal relating to the completion of the further clinical trial, the parties consider it unnecessary and inappropriate to complete the construction of the Plant at this stage. Accordingly, the parties have agreed to revise, and will continue to monitor, the progress of the construction of the Plant in line with the clinical trial and approval schedule of the Medicine. The Plant is currently under construction, with its design plan and construction of the foundation, the surrounding walls and roads duly completed.

Under the SP Agreement, in the event that certain of the conditions to the SP Agreement have not been fulfilled on or before 12:00 noon on 30 November 2007 ("**Longstop Date**") 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). As the time for completing the Acquisition is also dependent on the progress of construction of the Plant, completion of the Acquisition has not been taken place yet. The parties are still currently under negotiation for a revised schedule for construction of the Plant and the extension of the Longstop Date for the Acquisition. The Directors expect that the parties will be able to reach an agreement on a revised schedule in or around December 2008, and further announcement will be made by the Company in due course.

PROGRESS OF THE APPLICATION FOR REGISTRATION OF THE MEDICINE

As disclosed in the Company's interim report dated 29 December 2006, phase II of the clinical trials of the Medicine had been completed and the clinical trial report was submitted to the SFDA for approval thereafter. At the suggestion of SFDA and pursuant to the approval documents for conducting further clinical trial granted by the SFDA on 30 April 2008, the Group will undertake further clinical trial on the Medicine.

For the purpose of the further clinical trial, the Group is still liaising with hospitals and conducting other preparatory work for the clinical trial as at the date of this Announcement. From the Group's experience, it is expected to take about 15 months for completing the further clinical trial and preparing the report thereof for approval by the SFDA. The Company will from time to time publish an announcement to keep the Shareholders and prospective investors informed of any material progress of the application for registration of the Medicine.

By Order of the Board
Mao Yu Min
Chairman

Hong Kong, 6 November 2008

As at the date of this announcement, the executive Directors are Dr Mao Yu Min, Dr Xie Yi, Mr Ho Chin Hou, 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*