

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)

RESUMPTION AND RELOCATION OF PRODUCTION FACILITIES IN CHANGCHUN

This announcement is made pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In response to the call of the Branch Bureau of the Economic and Technological Development Zone of the Changchun Bureau of Land and Resources (長春市國土資源局經濟技術開發區分局) for land resumption for the purpose of urban development planning in Changchun, the PRC, Changchun Extrawell entered into the Resumption Agreement with the Land Reserve Centre on 28 December 2011 for surrendering by Changchun Extrawell of its land and production facilities in the Changchun Economic Technological Development Zone to the Land Reserve Centre on or before 30 September 2013 in consideration of a cash compensation of an aggregate amount of RMB47,111,759.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

The board (the “**Board**”) of directors (the “**Directors**”) of Extrawell Pharmaceutical Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to inform the shareholders of the Company and potential investors that in response to the call of the Branch Bureau of the Economic and Technological Development Zone of the Changchun Bureau of Land and Resources (長春市國土資源局經濟技術開發區分局) in 2010 for the proposed resumption of land in the Changchun Economic and Technological Development Zone for the purpose of urban development planning in Changchun, the PRC, the Company’s 73%-owned subsidiary, Changchun Extrawell Pharmaceutical Co., Ltd. (“**Changchun Extrawell**”), entered into negotiations with the Changchun Economic Technological

Development Zone Land Reserve Centre (長春經濟技術開發區土地收購儲備中心) (the “**Land Reserve Centre**”), a local authority of the Changchun Municipal Government, and entered into the land resumption and compensation agreement (the “**Resumption Agreement**”) with the Land Reserve Centre on 28 December 2011, details of which are set out below.

THE RESUMPTION AGREEMENT

Date

28 December 2011

Parties

1. The Land Reserve Centre; and
2. Changchun Extrawell.

Property subject to the Resumption

A piece of industrial use land owned by Changchun Extrawell with an aggregate site area of approximately 18,982 sq.m. situated at No. 5, Zhan-Jiang Road, the Economic Technological Development Zone, Changchun, the PRC, together with buildings, structures and attachments (including immovable plant and equipment) located thereon and thereunder (the “**Property**”).

The Resumption

Pursuant to the Resumption Agreement, Changchun Extrawell has agreed to surrender and deliver to the Land Reserve Centre vacant possession of the Property (the “**Resumption**”) free from all encumbrance on or before 30 September 2013, and shall return the originals of all land use rights certificates and building ownership certificates in respect of the Property to the Land Reserve Centre after signing of the Resumption Agreement.

Compensation

Under the Resumption Agreement, in consideration of the Resumption, the Land Reserve Centre has agreed to compensate Changchun Extrawell for cash in an aggregate amount of RMB47,111,759 (equivalent to approximately HK\$57,947,000) (the “**Compensation**”), comprising (i) compensation for land of RMB7,289,088 (equivalent to approximately HK\$8,965,000); (ii) compensation for premises with real estate title certificate of RMB26,922,248 (equivalent to approximately HK\$33,114,000); (iii) compensation for premises without real estate title certificate of RMB124,102 (equivalent to approximately HK\$153,000); (iv) compensation for structures and attachments of RMB1,372,367 (equivalent to approximately HK\$1,688,000); (v) compensation of relocation and disposal of production facilities of RMB10,491,702 (equivalent to approximately HK\$12,905,000); and (vi) compensation for loss of profits of RMB912,252 (equivalent to approximately HK\$1,122,000) subject to and in

accordance with the terms of the Resumption Agreement. The Compensation shall be payable by the Land Reserve Centre to Changchun Extrawell in the following manner:

1. an amount of RMB15,000,000 (equivalent to approximately HK\$18,450,000) shall be payable on or before 31 March 2012;
2. an amount of RMB15,000,000 (equivalent to approximately HK\$18,450,000) shall be payable on or before 30 September 2012; and
3. the balance of the Compensation, being RMB17,111,759 (equivalent to approximately HK\$21,047,000) shall be payable within 30 days upon completion of the redelivery obligations of Changchun Extrawell under the Resumption Agreement, including, amongst others, demolition of buildings, structures and attachments, settlement of utility charges and surrender of the Property to the Land Reserve Centre free of encumbrance on or before 30 September 2013.

The Compensation was determined after arm's length negotiations between the parties to the Resumption Agreement, taking into consideration of, amongst others, the valuation of the Property by an independent qualified PRC property valuer on replacement cost basis of the land and buildings comprising the Property and the estimated costs of relocation and loss of earnings arising from the relocation by the Group.

Failure to perform

If Changchun Extrawell fails to fully comply with its obligations under the Resumption Agreement within the prescribed timeframe, Changchun Extrawell is obliged to pay to the Land Reserve Centre a default interest for the number of days it occupies the Property after 30 September 2013 at a daily rate of 0.1% of the Compensation (the "**Default Interest**"). If such default lasts for more than 60 days, the Land Reserve Centre shall have the right to terminate the Resumption Agreement and Changchun Extrawell shall refund all the Compensation already paid by the Land Reserve Centre and pay the Default Interest to the Land Reserve Centre and shall also be liable for damages suffered by the Land Reserve Centre as a result of such default.

If either of the parties fails to perform its obligations in accordance with the provisions in the Resumption Agreement, the other party may terminate the Resumption Agreement and the defaulting party shall be liable for damages incurred. In the event that the Land Reserve Centre is in default, it shall be liable to pay to Changchun Extrawell a default compensation representing 20% of the outstanding Compensation. In the event that Changchun Extrawell is in default, it shall be liable to refund all the Compensation then already paid by the Land Reserve Centre, and pay to the Land Reserve Centre a default compensation representing 20% of such paid Compensation.

IMPACT OF THE RESUMPTION

The Property comprises a piece of industrial use land with an aggregate site area of approximately 18,982 sq.m. situated at No. 5, Zhan-Jiang Road, the Economic Technological Development Zone, Changchun, the PRC, which is owned by Changchun Extrawell, together with buildings, structures and

attachments (including immovable plant and equipment) located thereon and thereunder. It is currently used as the production facilities of Changchun Extrawell for the production of pharmaceutical products, which accounted for approximately 15% and 23% of the total revenue of the Group for the year ended 31 March 2011 and for the six months ended 30 September 2011, respectively.

As at 30 November 2011, the net book value of the Property amounted to approximately HK\$29,000,000. It is anticipated that the Company will record a gain from the Resumption of approximately HK\$27,000,000 (exclusive of land appreciation tax, sales tax and other professional fees to be incurred, if any), being the difference between the Compensation and the net book value of the Property as at 30 November 2011.

It is the Group's intention to relocate the existing operation and production of Changchun Extrawell to the Group's new production facilities at the Economic Development Zone of Jiu Tai, Changchun, the PRC progressively, and to continue the operations and production of Changchun Extrawell at the Property until the commencement of operation of the new production facility, which is expected to be in the first half of 2013. The Directors believe that disruption to the existing operation and production of Changchun Extrawell will be insignificant by virtue of such relocation arrangement. Moreover, it is expected that the amount of the Compensation would be sufficient to cover the relocation costs, and by utilizing the entire amount of the Compensation, together with the injection of capital expenditure as necessary and appropriate to be funded by internal resources, the Group will take the opportunity of advancing the capacity and capability of its production facilities to improve its core competitiveness in the long run.

On the above basis, the Directors consider that the relocation of production facilities will not have any material adverse impact on the operational and financial position of the Group.

(For the purpose of illustration only, amounts denominated in RMB have been translated into HK\$ at the rate of RMB1.00 = HK\$1.23.)

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 28 December 2011

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*