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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)

**CONNECTED TRANSACTION
SUBSCRIPTION TO EQUITY INTEREST IN
A HEALTH CARE MANAGEMENT COMPANY IN THE PRC**

On 13 January 2012, Jilin Extrawell, a wholly-owned subsidiary of the Company, entered into the Agreement with the Target Company and Shanghai United Gene pursuant to which Jilin Extrawell agreed to subscribe for RMB2.5 million of the registered capital of the Target Company by way of capital injection.

As at the date of this announcement and immediately prior to Completion, the Target Company is a wholly-owned subsidiary of Shanghai United Gene, which is an indirect wholly-owned subsidiary of UG Listco. Upon the Completion, the enlarged registered capital of the Target Company will be owned as to 20% by Jilin Extrawell and 80% by Shanghai United Gene.

Dr. Mao, the chairman and one of the substantial shareholders of the Company who holds approximately 21.0% of the issued share capital of the Company through controlled corporations as at the date of this announcement, is also the honorary chairman and controlling shareholder of UG Listco, interested in approximately 50.8% of the issued share capital of UG Listco. Accordingly, each of the Target Company and Shanghai United Gene is an associate of Dr. Mao and a connected person of the Company, and the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios are more than 0.1% but less than 5%, the Subscription is only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE AGREEMENT

Date

13 January 2012

Parties

1. Jilin Extrawell;
2. Shanghai United Gene; and
3. The Target Company.

Interest in the Target Company to be acquired

Under the Agreement, Jilin Extrawell agreed to subscribe for RMB2.5 million of the registered capital of the Target Company by way of capital injection to the Target Company.

The registered capital of the Target Company as at the date of this announcement and immediately prior to Completion is RMB10 million which is wholly-owned by Shanghai United Gene. Upon the Completion, the registered capital of the Target Company will be increased to RMB12.5 million, of which 20% will be owned by Jilin Extrawell and 80% will be owned by Shanghai United Gene.

Under the Agreement, Shanghai United Gene has agreed to the Subscription and the waiver of its preemptive rights in respect of the registered capital of the Target Company subscribed for by Jilin Extrawell.

Consideration

The consideration of the Subscription is RMB2.5 million, which shall be payable in cash by Jilin Extrawell by way of capital injection to the Target Company within three months from the date of the Agreement. Such consideration represents the amount of registered capital of the Target Company to be subscribed for by Jilin Extrawell under the Agreement.

The Group intends to settle the above consideration with its internal resources.

Board representation

As at the date of this announcement and immediately prior to Completion, the board of directors of the Target Company comprises three directors. Under the Agreement, the Group shall be entitled to nominate one person to be appointed as a director of the Target Company.

Completion

The Completion shall be conditional upon the satisfaction of the following conditions:

- (1) Shanghai United Gene having obtained the requisite government approval, and each of the parties to the Agreement having obtained the requisite approvals by their respective boards of directors and (in respect of the Target Company) the shareholders in respect of the Subscription by Jilin Extrawell and the increase in registered capital of the Target Company;
- (2) each of Jilin Extrawell and Shanghai United Gene having complied with the requisite disclosure and other requirements under the Listing Rules; and
- (3) all requisite consents, permits or approval required to be obtained from the regulatory authorities in respect of the transactions contemplated under the Agreement having been obtained.

Completion shall take place on the date of filing with the relevant government authority in the PRC for the alteration of registration of the Target Company in respect of its increase in registered capital. Jilin Extrawell shall pay the consideration of the Subscription to the Target Company on the earlier of (i) the date on which the filing by the Target Company with the relevant PRC government authority for the alteration of registration of the Target Company in respect of its increase in registered capital; or (ii) three months after the date of the Agreement.

Information on the Group

Jilin Extrawell is a wholly foreign-owned enterprise established in the PRC with an operating period of 15 years commencing from 22 April 1999 and has a registered capital of RMB33,000,000 which is owned as to 60% by the Company and 40% indirectly by Smart Phoenix Holdings Limited, a wholly-owned subsidiary of the Company. It is principally engaged in the development, manufacture and sale of pharmaceutical products in the PRC.

Information on Shanghai United Gene

Shanghai United Gene is a wholly foreign-owned enterprise established in the PRC on 23 June 2009 for a period of 30 years with a registered capital of HK\$40 million. It is an indirect wholly-owned subsidiary of UG Listco.

Shanghai United Gene is principally engaged in the distribution of gene-testing services.

Information on the Target Company

The Target Company is a limited company established in the PRC on 11 November 2010 for a period of 30 years and has a registered capital of RMB10 million as at the date of this announcement and immediately prior to Completion. It is a wholly-owned subsidiary of Shanghai United Gene and is principally engaged in the provision of health care management services in the PRC.

The Target Company has set up a health care centre in Shanghai, the PRC and has commenced business since September 2011, providing high-end health care management services to the public with genome technology as its competitive edge.

Based on the management accounts of the Target Company prepared in accordance with the PRC Financial Reporting Standards, its unaudited net asset value as at 31 December 2011 was approximately RMB4.07 million. Its unaudited net loss for both before and after taxation and extraordinary items of the Target Company for the period from the date of establishment of the Target Company up to 31 December 2010 was approximately RMB6,300, and its unaudited net loss for both before and after taxation and extraordinary items of the Target Company for the financial year ended 31 December 2011 was approximately RMB5.92 million.

Reasons for and benefits of the Subscription

As part of the Group's development strategy, the Group has been exploring investment opportunities to broaden its revenue base. Given the increasing demand for health care due to population growth and aging, coupled with the accelerating urbanization and rising disposable income of the citizens in the PRC, public awareness of maintaining health by way of health care management in respect of disease prevention and treatment has arisen. In light of the sustainable economic growth in the PRC and the central government's continuous effort in promoting health care forward, there exists prospects and development for the health care industry in the PRC. The Directors are of the view that the Subscription would enable the Group to capture the market opportunity of a growing industry in the PRC.

The Directors (including the independent non-executive Directors) consider that the terms of the Agreement are fair and reasonable and on normal commercial terms and that the Subscription is in the interests of the Company and its shareholders as a whole.

Listing Rules implications

Dr. Mao, the chairman and one of the substantial shareholders of the Company who holds approximately 21.0% of the issued share capital of the Company through controlled corporations as at the date of this announcement, is also the honorary chairman and controlling shareholder of UG Listco, interested in approximately 50.8% of the issued share capital of UG Listco. Accordingly, each of the Target Company and Shanghai United Gene is an associate of Dr. Mao and a connected person of the Company, and the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios are more than 0.1% but less than 5%, the Subscription is only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Dr. Mao, who is considered to be materially interested in the Subscription, had abstained from voting on the resolutions of the Board approving the Subscription.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Agreement”	the capital increase agreement dated 13 January 2012 entered into by Shanghai United Gene, the Target Company and Jilin Extrawell in relation to the Subscription
“Board”	the board of Directors
“Company”	Extrawell Pharmaceutical Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Subscription contemplated under the Agreement
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Dr. Mao”	Dr. Mao Yu Min, a Director
“Jilin Extrawell”	Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd. (吉林精優長白山藥業有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Target Company”	龍脈(上海)健康管理服務有限公司, a company established in the PRC with limited liability and a wholly-owned subsidiary of Shanghai United Gene
“Shanghai United Gene”	United Gene HealthCare Limited, Shanghai (聯合基因(上海)健康管理服務有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of UG Listco

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed cash subscription of RMB2.5 million of the registered capital of the Target Company pursuant to the Agreement
“UG Listco”	United Gene High-Tech Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 399)
“%”	per cent.

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

Hong Kong, 13 January 2012

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*