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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)**

### **DISCLOSEABLE TRANSACTION SUBSCRIPTION IN PARTICIPATING SHARES OF AN INVESTMENT FUND**

#### **THE SECOND INVESTMENT**

Reference is made to the announcement of the Company dated 11 May 2017 in relation to, among others, the Investment.

The Board announces that, on 2 June 2017, the Subscriber, an indirect wholly-owned subsidiary of the Company, entered into the Second Subscription Agreement with the Fund pursuant to which the Subscriber has agreed to further subscribe for 30,000 Participating Shares in the Fund attributable to the Segregated Portfolio at an aggregate consideration of HK\$30,000,000. The Segregated Portfolio is managed by the Investment Manager. The investment objectives of the Segregated Portfolio are set out in the section headed “Investment objective and strategy of the Segregated Portfolio” in this announcement.

#### **LISTING RULES IMPLICATIONS**

As all the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Second Investment (as aggregated by the consideration paid under the Investment pursuant to Rule 14.22 of the Listing Rules) exceed 5% but are less than 25%, the Second Investment constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

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To the best knowledge, information and belief of the Directors having made all reasonable enquiry, the Fund, the Investment Manager and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Pursuant to the Second Subscription Agreement, the aggregate subscription price of HK\$30,000,000 is payable upon signing of the Second Subscription Agreement. The subscription price payable for the Second Investment has been determined upon commercial negotiation between the parties to the Second Subscription Agreement and after taking into account the financial resources of the Group and the benefits set out in the section headed “Reasons for and benefits of the Second Investment” in this announcement. The Second Investment has been funded by the internal resources of the Group.

The Subscriber is not entitled to appoint any Fund Director.

## **INFORMATION ABOUT THE FUND, THE SEGREGATED PORTFOLIO AND THE PARTICIPATING SHARES**

### **The Fund**

The Fund is an exempted segregated portfolio company which was incorporated in the Cayman Islands. The Fund may establish different segregated portfolios and classes of shares in the sole discretion of the Fund Directors.

Under the Cayman Islands laws, assets attributable to each segregated portfolio of the Fund shall only be available to creditors in respect of that segregated portfolio, and the assets of that segregated portfolio shall be protected from creditors of the Fund who are not creditors in respect of such segregated portfolio. Each segregated portfolio of the Fund is a separate individually managed pool of assets constituting, in effect, a separate fund with its own investment objective and strategy, and overseen by the Investment Manager. Such pool of assets shall be held only for the benefit of the holders of the relevant participating shares of each class of such segregated portfolio, and be applied solely in respect of the liabilities attributed to such segregated portfolio.

### **Investment objective and strategy of the Segregated Portfolio**

The primary investment objective of the Segregated Portfolio, to which the Participating Shares relate, is long term capital appreciation. The Investment Manager will seek to achieve the Segregated Portfolio’s objective by investing in listed and unlisted shares, rights and warrants and, to a lesser extent in bonds, convertible bonds, debentures, exchange traded funds, money market instruments, simple options, swaps, repurchase agreements, futures (including single stock futures stock contracts), and transactions in foreign currencies.

The Fund anticipates engaging in “short sales” on behalf of the Segregated Portfolio as part of its investment strategy for the Segregated Portfolio.

### **Management of the Fund and the Segregated Portfolio**

The board of directors of the Fund consists of three directors, who exercise primary authority over the Fund and each segregated portfolio. The Fund Directors’ primary function is to supervise the general conduct of the affairs of the Fund. The Fund has engaged the Investment Manager who will manage all aspects of the Fund’s investment operations for the Segregated Portfolio in accordance with the investment parameters adopted by the Fund for the Segregated Portfolio. The Investment Manager has engaged Avia Asset Management Limited which is licensed by the Securities and Futures Commission of Hong Kong to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as its investment advisor with responsibility for providing the Investment Manager with advice in connection with the management of the Fund’s assets attributable to the Segregated Portfolio.

The Fund is authorised to borrow on behalf of the Segregated Portfolio for investment purposes or to fund redemption requests.

### **Redemptions**

A holder of the Participating Shares may request redemption of all or some of its Participating Shares as of the first Business Day of each calendar month or at such other time as determined by the Fund Directors in their sole discretion. Redemptions of Participating Shares will be subject to a redemption fee payable to the Fund equal to 5% of the amount redeemed if the redemption occurs within three calendar months after the date on which the relevant Participating Shares were originally issued. The redemption price is equal to the relevant net asset value per Participating Share on the last Business Day of each calendar month preceding the relevant redemption day less any accrued performance fee.

### **Transfers**

No transfer of Participating Shares may be made other than with the consent of the Fund Directors, which consent may be withheld at the discretion of the Fund Directors without the need for assigning any reason therefore.

### **Distributions**

The Fund does not expect to make any distributions to its shareholders out of the Fund’s current earnings and profits for the Segregated Portfolio. Instead, the Fund will reinvest such income for the Segregated Portfolio. Accordingly, net income effectively will be represented in the value of the Participating Shares. The Fund Directors reserve the right to change such policy. If dividend is declared by the Fund Directors in respect of the Segregated Portfolio, holders of the Participating Shares shall be entitled to distribution of such dividends which shall be payable out of the assets attributable to the Segregated Portfolio.

## **Voting rights and other rights**

Holders of the Participating Shares shall not be entitled to receive notice of nor to attend nor to vote at any general meeting of the Fund. On a return of assets on liquidation of the Fund, the assets of the Segregated Portfolio available for distribution shall belong to and be distributed among the holders of the Participating Shares of the relevant class pro rata according to the number of Participating Shares of that class held by them.

## **Fees**

The Investment Manager receives an annual management fee that is equal to a 2% of the net asset value attributable to the Participating Shares during the relevant calendar year.

The Investment Manager is also entitled to receive a performance fee from the Fund in an amount equal to 20% of the appreciation of the net asset value of each series of the class with respect to a particular performance period (being each of the first and second half of each calendar year) over the high water mark. The high water mark for each Participating Share of a series is the greater of (i) the subscription price per Participating Share of that series and (ii) the highest previous net asset value per Participating Share of that series. The performance fee with respect to a series of Participating Shares is calculated on a cumulative basis and is not payable until all prior net losses with respect of such series (excluding performance fees) are recouped and the net asset value per Participating Share exceeds its high water mark.

## **INFORMATION OF THE FUND**

The Fund is an exempted segregated portfolio company which was incorporated in the Cayman Islands.

## **REASONS FOR AND BENEFITS OF THE SECOND INVESTMENT**

The Subscriber is principally engaged in investment holding and property investment.

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 investment in development and commercialisation of oral insulin products.

The Company has been exploring opportunities for potential investments with a view to maximise utilisation of the Group's surplus cash reserves and thereby enhancing returns for the Group. The Board is of the view that the Second Investment will further provide the Group with long-term investment opportunity through investment returns and capital appreciation on the Participating Shares while the flexibility available for redemption of the Participating Shares would enable the Group to maintain liquidity position. The Board believes that the terms of the Second Investment under the Second Subscription Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As all the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Second Investment (as aggregated by the consideration paid under the Investment pursuant to Rule 14.22 of the Listing Rules) exceed 5% but are less than 25%, the Second Investment constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday or public holiday) on which banks are open for business in Hong Kong and such other place as may be determined by the Fund Directors in relation to any class
“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
“Directors”	the directors of the Company
“Fund”	KKC Capital SPC, a segregated portfolio company incorporated in and under the laws of the Cayman Islands, the share capital of which is divided into management shares and Participating Shares
“Fund Director(s)”	director(s) of the Fund from time to time
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Investment”	the subscription by the Subscriber of 50,000 Participating Shares of the Fund at a subscription price of HK\$50,000,000 pursuant to the Subscription Agreement
“Investment Manager”	KKC Capital Limited, a Cayman Islands exempted limited liability company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Participating Share(s)”	the Class A non-voting, participating and redeemable share(s) having a par value of US\$0.01 each in the capital of the Fund attributable to the Segregated Portfolio which may be issued in series for performance fee purposes
“PRC”	The People’s Republic of China
“Second Investment”	the subscription by the Subscriber of 30,000 Participating Shares of the Fund at a subscription price of HK\$30,000,000 pursuant to the Second Subscription Agreement
“Second Subscription Agreement”	second subscription agreement dated 2 June 2017 entered into between the Subscriber and the Fund in relation to the Second Investment
“Segregated Portfolio”	KKC Capital High Growth Fund Segregated Portfolio, a segregated portfolio created by the Fund
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Extrawell Enterprises Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Subscription Agreement”	subscription agreement dated 11 May 2017 entered into between the Subscriber and the Fund in relation to the Investment
“%”	per cent.

By order of the Board  
**Extrawell Pharmaceutical Holdings Limited**  
**Xie Yi**  
*Chairman*

Hong Kong, 2 June 2017

*As at the date of this announcement, the executive Directors are Dr. Xie Yi, Dr. Lou Yi, Mr. Cheng Yong, Ms. Wong Sau Kuen, Mr. Liu Kwok Wah and Mr. Lu Zhiqiang and the independent non-executive Directors are Mr. Fang Lin Hu, Mr. Xue Jing Lun and Ms. Jin Song.*

\* *For identification purpose only*