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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)

FURTHER ANNOUNCEMENT IN RELATION TO DISCLOSEABLE TRANSACTION SUBSCRIPTION IN PARTICIPATING SHARES OF AN INVESTMENT FUND

Reference is made to the announcements of the Company dated 11 May 2017 and 2 June 2017 (the “**Announcements**”) in relation to, among others, the Investment and the Second Investment (the “**Investments**”) respectively. Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless otherwise stated. This announcement is to provide further information about the Segregated Portfolio and the Investments.

FURTHER INFORMATION ON THE SEGREGATED PORTFOLIO AND REASONS FOR THE INVESTMENTS

Apart from the investment objective and strategy of the Segregated Portfolio as disclosed in the Announcements, the Board understands that the Segregated Portfolio will focus on investment of securities of listed companies in the PRC and Hong Kong and target to invest in companies with potential growth, particularly those with asset value greater than their current market value. The breakdown of the investment distribution of the Segregated Portfolio as of 31 May 2017 is as follows:

Industry	Percentage of investment (approximate percentage (%))
Biotechnology	34
Waterworks and infrastructure	34
Textiles and fabrics	17
Other metals and minerals	7
Environmental engineering	3
Finance	2
Consumer electronics	2
Purchasing and supply chains management	1

As advised by the Investment Manager, the investments of Segregated Portfolio would be maintained at medium risk level in achieving the investment objective and strategy of the Segregated Portfolio.

In relation to the historical performance of the Segregated Portfolio, the Board noted that the most recent series of the Segregated Portfolio immediately prior to the Investments had recorded a double-digit percentage increase in the net asset value in its most recent nine-month performance.

The Board is of the view that fund subscription provides the benefits of seeking investment returns through the Fund operated by a group of professionals specialised in the financial market. Also, the subscription price of HK\$80 million will not affect the business operations of the Group as the subscription price has taken into account the Group's cash flows and the working capital requirements of business operations projected for the coming five years, which demonstrate surplus cash reserves over the coming five-year period after the funding of the subscription price of HK\$80 million.

As disclosed in the Announcements, the Board is of the view that the Investments are intended for long-term capital appreciation, and any earnings and profits for the Segregated Portfolio will be reinvested in the Segregated Portfolio and represented in the value of the Participating Shares. The flexibility of redemption of Participating Shares allows the Group to maintain liquidity position in case of financial needs arise and the expected return from the Investments shall exceed the interest income from placing bank deposits.

After taking into account the combinative factors above and the historical performance of the Segregated Portfolio, the Board is of the view that the Investments are fair and reasonable and in the interest of the Company and its shareholders as a whole.

THE SUBSCRIPTION PRICE

In relation to the subscription price and subscription amount for the Investments, the subscription price per Participating Share is HK\$1,000. As the Participating Shares subscribed by the Group constitute a new and separate series of the Participating Shares, the subscription price per Participating Share represents the initial net asset value per share at the time of subscription.

BACKGROUND OF THE FUND DIRECTORS

The board of directors of the Fund consists of three directors. Two of the fund directors have more than 15 years of experience in the financial industry in the PRC. One of the fund directors has more than 10 years of experience in credit rating services, global economic researches and credit assessment and marketing services for financial institutions and individual clients.

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, the Fund Directors are third parties independent of the Company and its connected persons.

MONITORING PERFORMANCE OF SEGREGATED PORTFOLIO

In order to monitor the performance of the Segregated Portfolio, Mr. Lu Zhiqiang (“**Mr. Lu**”), the executive director of the Company was approved by the Board as the designated person to monitor the performance of the Investments and to communicate with the Investment Manager. Mr. Lu will report to the Board from time to time regarding the performance of the Investments.

The Company will receive monthly statement showing the net asset value of the Participating Shares for the series attributable to its relevant subscription, from the fund administrator, Millennium Fund Services (Asia) Limited, appointed by the Investment Manager.

Mr. Lu is experienced in corporate management and investment. Since September 2011, Mr. Lu has been appointed as the executive director and chief executive officer of Hong Kong Life Sciences and Technologies Group Limited (stock code: 8085), whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and he has been involved in overseeing the investment activities.

With Mr. Lu’s background and experience as mentioned above, the Board is of the view that Mr. Lu is an appropriate person to handle the matters relating to the investment decisions and monitor the performance of the Segregated Portfolio.

ACCOUNTING TREATMENT OF THE INVESTMENTS

It is expected that the Investments will be accounted for as “available-for-sale financial assets” under the non-current assets of the consolidated statement of financial position of the Company and will be recognised at an initial cost of HK\$80 million. Any changes in the carrying amount of the Investments will be recognised as other comprehensive income and, upon redemption of the Participating Shares, the cumulative gain or loss previously accumulated will be realised as profit or loss in the consolidated statement of profit or loss and other comprehensive income of the Company. In the case that any dividends are distributed out of the Fund’s current earnings and profits for the Segregated Portfolio, these dividends will be recognised as profit or loss in the consolidated statement of profit or loss and other comprehensive income of the Company.

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

Hong Kong, 18 July 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*