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EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED

精優藥業控股有限公司*

(incorporated in Bermuda with limited liability)

CONNECTED TRANSACTION

The Directors wish to inform the Shareholders of the Company that JECP, a subsidiary of the Company, sold certain finished goods to Jilin Fuda for an aggregate consideration of about HK\$5,913,000 during the period from January to February, 2002. JECP is owned as to 60 per cent. by the Group and as to the remaining 40 per cent. by CPP. Jilin Fuda is a connected person of the Company within the meaning of the Listing Rules as CPP owns 80 per cent. interest in Jilin Fuda.

As the total amount of the connected transactions between JECP and Jilin Fuda had exceeded the threshold set out in Rule 14.24(5) but fell below the threshold set out in Rule 14.25(1) of the Listing Rules, the transactions are subject to the disclosure requirements under Rule 14.25(1) of the Listing Rules. Notwithstanding the implementation of internal control, the time of making this announcement is not be considered to be timely and constitute a breach of the Listing Rules, and the Exchange reserves the right to take appropriate action.

THE CONNECTED TRANSACTION

During the period from January to February, 2002, JECP sold certain pharmaceuticals manufactured by JECP to Jilin Fuda, a pharmaceutical distributor in Northern China, for an aggregate consideration of about HK\$5,913,000, which represented about 3.0 per cent. of the turnover of the Group for the year ended 31 March 2002. The sales teams are provided with a list of connected parties for the identification of connected transactions. However, it is until the management performed the quarterly review that the Directors came to notice of such transactions and Jilin Fuda is a subsidiary of CPP as CPP previously omitted to include Jilin Fuda in the list of its associates (which would also be the Company's connected parties). The sale and purchase of goods between JECP and Jilin Fuda constitute connected transactions under Rule 14.23(1) of the Listing Rules. As the total amount of the connected transactions between JECP and Jilin Fuda had exceeded the threshold set out in Rule 14.24(5) but fell below the threshold set out in Rule 14.25(1) of the Listing Rules, the transactions are subject to disclosure requirements under Rule 14.25(1) of the Listing Rules.

REASONS FOR THE CONNECTED TRANSACTION

The Directors consider that the transactions were completed in the ordinary manner at the comparable/similar price levels and terms and conditions to those offered to other major independent customers. There is no specific agreements between the two parties just like any other independent customers which JECP do not request the customer to sign a sales contract. Both the Directors and the independent non-executive directors have reviewed the aforementioned connected transaction and agreed that the transaction was fair and reasonable and entered into in the ordinary course of business. The Directors confirms that there is no other similar transaction subsequent to the year end until the date of this announcement and there will not be any further similar transaction in the future. Notwithstanding the implementation of internal control, the time of making this announcement is not be considered to be timely and constitute a breach of the Listing Rules, and the Exchange reserves the right to take appropriate action.

In order to avoid any similar instance in the future, the Group has updated a list of related companies to inform the local sales teams and ask them to report to the top management before they make any sales to these companies in accordance with the internal control system of the Group.

DEFINITIONS

In this announcement, the following words and phases have the following meanings:

“Company”	Extrawell Pharmaceutical Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Exchange
“CPP”	吉林省長白山醫藥保健品開發有限公司 (Jilin Changbaishan Pharmaceutical Products Development Co., Ltd.*)
“Director(s)”	the director(s) of the Company
“Jilin Fuda”	吉林省富達藥品經銷有限公司 (Jilin Fuda Pharmaceutical Distribution Co. Ltd.*), a 80 per cent. owned subsidiary of CPP
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“JECF”	Jilin Extrawell Changbaishan Pharmaceutical Co., Ltd, a Company owned as to 60% by the Group and as to the remaining 40 per cent. by CPP
“Listing Rules”	Rules Governing the Listing of Securities on the Exchange
“Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By order of the board of
Extrawell Pharmaceutical Holdings Limited
Ho Yu Ling
Executive Director

Hong Kong, 10 July 2002

* *for identification purposes only*

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement) and confirm, having made all reasonable enquiries, that to the best of their knowledge, their opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any of their statements in this announcement misleading.

"Please also refer to the published version of this announcement in The Standard"