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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)

MAJOR TRANSACTION SECOND AMENDMENTS TO THE TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS

Reference is made to the joint announcements of Extrawell Pharmaceutical Holdings Limited (the “**Company**”), together with its subsidiaries, the “**Group**”) and Innovative Pharmaceutical Holdings Limited (formerly known as United Gene High-Tech Group Limited) (“**Innovative**”) dated 18 March 2014 and 28 July 2014, (the “**2014 Announcements**”) and the circular of the Company dated 27 June 2014 (the “**Circular**”) in relation to, among others, the disposal (the “**Disposal**”) by the Group of 51% shareholding interest in Smart Ascent Limited to Innovative. Reference is also made to the announcements of the Company dated 26 July 2019 and 28 October 2019 (the “**2019 Announcements**”) regarding the First Amendments (as defined below) to the Convertible Bonds. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the 2019 Announcements.

BACKGROUND

Upon completion of the Disposal on 28 July 2014, as part of the consideration to the Disposal, Innovative issued the Convertible Bonds to the Company with the principal amount of HK\$715,000,000 due to mature on 28 July 2021 with interest at 3.5% per annum.

Please refer to the 2014 Announcements and the Circular for the details of the Convertible Bonds.

THE FIRST AMENDMENTS

On 26 July 2019, the Company and Innovative entered into the First Amendment Deed, whereby the parties conditionally agreed, to amend certain terms and conditions of the Convertible Bonds (the “**First Amendments**”) to, *inter alia*, extend the interest payment dates of the Convertible Bonds and the payment of the additional interest in the amount of HK\$11,261,250 (the “**1st Additional Interest**”) for such extension.

Please refer to the 2019 Announcements for the details of the First Amendments.

THE SECOND AMENDMENTS

The Board announces that on 12 May 2021 (after trading hours), the Company and Innovative entered into the Second Amendment Deed, pursuant to which, subject to the fulfillment of the conditions precedent thereto, the following amendments (“**Second Amendments**”) to the terms and conditions of the Convertible Bonds shall take effect:

- (a) the Original Maturity Date of the Convertible Bonds will be extended for 2 years and thus the Maturity Date as defined in the Convertible Bonds will be amended to the date falling on the ninth (9th) anniversary of the date of issue of the Convertible Bonds; and
- (b) the interest rate and interest payment date of the Convertible Bonds as amended in the First Amendments shall be further amended and superseded as follows:

“(i) The Convertible Bonds shall bear interest on the principal amount thereof in accordance with the following interest rate and payment schedule:

Interest Period	Interest Rate	Payment due dates
28 July 2014 to 27 July 2015	3.5% per annum on the principal amount of the Convertible Bonds	On or before 28 July 2015
28 July 2015 to 27 July 2016	3.5% per annum on the principal amount of the Convertible Bonds	On or before 28 July 2016
28 July 2016 to 27 July 2017	3.5% per annum on the principal amount of the Convertible Bonds	On or before 28 July 2017
28 July 2017 to 27 July 2018	3.5% per annum on the principal amount of the Convertible Bonds	On or before 28 July 2018
28 July 2018 to 27 July 2019	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2023
28 July 2019 to 27 July 2020	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2023

Interest Period	Interest Rate	Payment due dates
28 July 2020 to 27 July 2021	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2023
28 July 2021 to 27 July 2022	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2023
28 July 2022 to 27 July 2023	3.5% per annum on the principal amount of the Convertible Bonds	28 July 2023

- (ii) Innovative shall pay the Company a sum of additional interest (the “**2nd Additional Interest**”) in the amount of HK\$3,753,750 on 28 July 2023 (representing 15% per annum on the annual interest payment under the Convertible Bonds), being the additional interest for one-year extension for payment of interest for interest period from 28 July 2021 to 27 July 2022.
- (iii) In addition to the 1st Additional Interest, Innovative shall pay the Company a sum of additional interest in the amount of HK\$25,900,875 on 28 July 2023 (the “**3rd Additional Interest**”) (representing 15% per annum on the aggregate amount of interest and the 1st Additional Interest of HK\$86,336,250 multiply by two). Innovative and the Company agreed that the said amount of HK\$25,900,875 is the additional interest for two-year further extension of payment of (a) the interest in the aggregate amount of HK\$75,075,000 for interest periods from 28 July 2018 to 27 July 2019, from 28 July 2019 to 27 July 2020 and from 28 July 2020 to 27 July 2021; and (b) the 1st Additional Interest mentioned in the First Amendment Deed in the amount of HK\$11,261,250.”

Save as disclosed above, the principal terms of the Convertible Bonds as disclosed in the 2014 Announcements and the Circular remain unchanged.

Conditions Precedent to the Second Amendments

The Second Amendments shall be conditional upon and subject to the following conditions precedent (the “**2nd Amendments Conditions Precedent**”):

- (a) the approval having been obtained from the Stock Exchange in respect of the Second Amendments;
- (b) all necessary consents and approvals required to be obtained on the part of the Company and Innovative in respect of the Second Amendments having been obtained and remained in full force and effect;

- (c) the passing of the necessary resolution(s) by the shareholders of each of the Company and Innovative at a special general meeting of each of the Company and Innovative to be convened and held to approve the Second Amendment Deed and the transactions contemplated thereunder; and
- (d) (if necessary) the Company having passed a written resolution of the bondholder meeting to approve the Second Amendment Deed and the transactions contemplated thereunder.

The Second Amendments shall take effect on the next Business Day when all the 2nd Amendments Conditions Precedent are fulfilled (the “**2nd Amendments Effective Date**”). None of the 2nd Amendments Conditions Precedent can be waived. If any of the 2nd Amendments Conditions Precedent is not fulfilled on or before 12 November 2021 (or such other date as the Company and Innovative may agree) (the “**2nd Amendments Long Stop Date**”), the Second Amendment Deed shall automatically lapse and be of no further effect and the Company and Innovative shall be released from all obligations thereunder.

THE SECOND DEED OF WAIVER

On 12 May 2021 (after trading hours), the Company and Innovative also entered into a deed of waiver (the “**Second Deed of Waiver**”) whereby the Company granted to Innovative a waiver in respect of obligation of Innovative to (i) redeem the Convertible Bonds which remains outstanding on the Original Maturity Date at 100% of the principal amount of the Convertible Bonds; (ii) pay the interest for the period from 28 July 2018 to 27 July 2019, from 28 July 2019 to 27 July 2020 and from 28 July 2020 to 27 July 2021 (the “**Upcoming Interest Payment**”) and the 1st Additional Interest when due on the Original Maturity Date and not to take any steps to enforce or make demand for the Upcoming Interest Payment and the 1st Additional Interest to the extent necessary and solely to effect the Second Amendments.

It is also stipulated in the Second Deed of Waiver that if any of the 2nd Amendments Conditions Precedent has not been fulfilled on the 2nd Amendments Long Stop Date, the Second Amendment Deed shall automatically terminate and will have no further effect on the Company and Innovative, and in such event, Innovative shall within 30 Business Days from the 2nd Amendments Long Stop Date to (i) redeem the principal of the Convertible Bonds in the sum of HK\$715,000,000; (ii) pay to the Company the interest for the period from 28 July 2018 to 27 July 2019 in the sum of HK\$25,025,000; (iii) pay to the Company the interest for the period from 28 July 2019 to 27 July 2020 in the sum of HK\$25,025,000; (iv) pay to the Company the interest for the period from 28 July 2020 to 27 July 2021 in the sum of HK\$25,025,000; (v) pay the 1st Additional Interest in the sum of HK\$11,261,250; and (vi) pay to the Company the additional interest calculated at 15% per annum on HK\$801,336,250 accrued from 28 July 2021 to the actual date of payment (both days inclusive) on the basis of a 365-day year.

REASONS FOR AND BENEFITS OF THE PROPOSED SECOND AMENDMENTS

The outstanding principal amount of the Convertible Bonds, the outstanding interest payments of the Convertible Bonds and the 1st Additional Interest under the First Amendment Deed, unless they are extended, will be due on the Original Maturity Date.

As at the date of this announcement, all of the Convertible Bonds with an aggregate amount of HK\$715,000,000 held by the Company is still outstanding. The Company has no present intention of converting the Convertible Bonds into the shares of Innovative as it considers that the holding of Convertible Bonds to maturity shall provide more monetary benefits to the Company. Innovative has approached the Company to request for extension of the Original Maturity Date for two years to the Maturity Date, in order to enable it to postpone a substantial cash outflow, thus allowing it more time to arrange for financial resources to meet its payment obligations for any aforesaid payments, and given the current volatile market condition under the impact of the COVID-19 pandemic, it is expected that it is difficult for Innovative to obtain new debt or bank borrowings with favorable terms or procurement of equity financing. The 2-year extension of the maturity of the Convertible Bonds, the extension of the payment of the outstanding interest of the Convertible Bonds, the payment of 2nd Additional Interest and the 3rd Additional Interest are all arrived at after arm's length negotiation between the Company and Innovative. The Directors consider that the return resulting from the aforesaid extension of time will bring benefit and generate more income to the Company as the interest of the Convertible Bonds during 28 July 2021 to 27 July 2023, the 2nd Additional Interest and the 3rd Additional Interest shall exceed the interest income from placing bank deposits. Having considered the above factors and the proposed Second Amendments will not affect the business operations of the Group having taken into account the Group's cash position, the cash flows and working capital requirements of business operations for the coming three years, the Directors are of the view that the Second Amendments and the granting of the waiver to Innovative pursuant to the terms of the Second Deed of Waiver are both on normal commercial terms and are fair and reasonable and in the interests of the Company and Shareholders as a whole.

INFORMATION OF INNOVATIVE

Innovative is an investment holding company and its subsidiaries are principally engaged in the trading of beauty products and equipment, the securities investment and research, development and commercialization of the oral insulin product.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, Innovative does not hold any Share of the Company and had ceased to be a substantial shareholder of the Company since 8 October 2019, (ii) each of Dr. Xie Yi, Mr. Cheng Yong and Dr. Lou Yi, being executive Director, holds less than 1% of the share capital of Innovative, and (iii) Dr. Mao Yumin, being a director of certain subsidiaries of the Company, is a substantial shareholder of Innovative holding approximately 25.33% of the share capital of Innovative and he also holds 7.94% of the Shares of the Company. Save as disclosed above, Innovative and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

INFORMATION OF THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the development, manufacture and sales of pharmaceutical products in the PRC, the marketing and distribution of pharmaceutical products to customers in the PRC, and the business of commercial exploitation and development of genome-related technology.

LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Second Amendment Deed is more than 25%, the transaction contemplated under the Second Amendment Deed constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. The proposed Second Amendments are therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, further information on the proposed Second Amendments as a major transaction and a notice of the SGM will be dispatched to the Shareholders as soon as practicable on or before 30 June 2021, in accordance with the requirements set out in the Listing Rules.

WARNING NOTICE

Shareholders and potential investors should note that the Second Amendment Deed is conditional upon fulfillment of all the 2nd Amendments Conditions Precedent. The transactions contemplated under the Second Amendment Deed may or may not be materialized. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

“First Amendment Deed”	the deed of amendments dated 26 July 2019 executed by the Company and Innovative in relation to the First Amendments
“Maturity Date”	the maturity date of the Convertible Bonds as amended in the Second Amendment Deed, being the date falling on the ninth (9th) anniversary of the date of issue of the Convertible Bonds
“Original Maturity Date”	the maturity date of the Convertible Bonds, being the date falling on the seventh (7th) anniversary of the date of issue of the Convertible Bonds
“PRC”	The People's Republic of China
“Second Amendment Deed”	the deed of amendments dated 12 May 2021 executed by the Company and Innovative in relation to the Second Amendments

“SGM”

A special general meeting to be held and convened by the Company to consider and, if thought fit, to approve the proposed Second Amendments

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

Hong Kong, 12 May 2021

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

* *For identification purpose only*