

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Extrawell Pharmaceutical Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Extrawell Pharmaceutical Holdings Limited.



**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 CONCERNING  
THE SECOND AMENDMENTS TO  
THE TERMS AND CONDITIONS OF  
THE CONVERTIBLE BONDS ISSUED BY  
INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

A notice convening the special general meeting of Extrawell Pharmaceutical Holdings Limited to be held at Forum Room II & Boardroom, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 30 July 2021 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the special general meeting is also enclosed. Whether or not you are able to attend the special general meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the special general meeting (or any adjournment thereof) to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the special general meeting (or any adjournment thereof) should you so wish.

**PLEASE REFER TO PAGE ii OF THIS CIRCULAR FOR PRECAUTIONARY MEASURES RELATED TO COVID-19 FOR THE SPECIAL GENERAL MEETING**

\* For identification purpose only



14 July 2021

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**PRECAUTIONARY MEASURES RELATED TO COVID-19  
FOR THE SPECIAL GENERAL MEETING (“SGM”)**

In view of the ongoing COVID-19 pandemic and related measures and guidelines as promoted by the Hong Kong Government to prevent and control the spread of the pandemic, the Company will implement the following precautionary measures at the SGM to safeguard the health and safety of attending Shareholders, staff and other stakeholders:

- (i) Compulsory body temperature checks will be carried out for every attending Shareholder, proxy and other attendee prior to entry into the SGM venue. Any person with a body temperature over 37.5 degrees Celsius will not be given access to the SGM venue;
- (ii) All persons who attend the SGM are required to wear surgical face masks;
- (iii) To comply with social distancing rules, seats will be assigned by the Company on a first come first served basis; and
- (iv) No refreshment or gifts will be provided or distributed at the SGM.

Any Shareholder, proxy or attendee who does not follow any one of the above mentioned measures will be denied entry into the SGM venue.

Shareholders are advised to follow any latest regulations or guidelines of the Hong Kong Government relating to COVID-19 in deciding whether or not to attend the SGM.

For the purposes of the prevention and control of the spread of the COVID-19 pandemic and to safeguard the health and safety of the Shareholders, the Company strongly encourages Shareholders to appoint the Chairman of the SGM as his/her proxy to vote on the resolution(s), instead of attending the SGM in person.

The Company may need to change the SGM arrangements at short notice according to the latest developments of the COVID-19 pandemic. Shareholders are advised to keep themselves abreast of further announcements, if any, made by the Company which will be published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.extrawell.com.hk](http://www.extrawell.com.hk)).

## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expression shall have the following meanings:*

“2014 Announcements”	the joint announcements of the Company and Innovative dated 18 March 2014, 19 March 2014 and 28 July 2014
“2014 Circular”	the circular of the Company dated 27 June 2014
“2019 Announcements”	the announcements of the Company dated 26 July 2019 and 28 October 2019
“2019 Circular”	the circular of the Company dated 16 September 2019
“2019 Interest Period”	a period from 28 July 2018 to 27 July 2019 (both dates inclusive)
“2020 Interest Period”	a period from 28 July 2019 to 27 July 2020 (both dates inclusive)
“2021 Interest Period”	a period from 28 July 2020 to 27 July 2021 (both dates inclusive)
“2022 Interest Period”	a period from 28 July 2021 to 27 July 2022 (both dates inclusive)
“2023 Interest Period”	a period from 28 July 2022 to 27 July 2023 (both dates inclusive)
“Announcement”	the announcement of the Company dated 12 May 2021 in respect of the Second Amendments
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business

## DEFINITIONS

“Company”	Extrawell Pharmaceutical Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 858)
“Conditions Precedent”	conditions precedent to the Second Amendments as set forth in the Second Amendment Deed
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Conversion Price”	HK\$2.5 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds
“Conversion Shares”	new Innovative Shares to be issued and allotted by Innovative upon the exercise of the conversion rights attaching to the Convertible Bonds at the Conversion Price
“Convertible Bonds”	the convertible bonds created and constituted by the Convertible Bonds Instrument and any deed poll supplemental thereto and issued with the benefit of and subject to the provision of the Convertible Bonds Instrument in the aggregate principal amount of HK\$715,000,000 due in 2021 issued by Innovative to the Company on 28 July 2014 with the interest of 3.5% per annum for a conversion period of 7 years from the date of issue, further details of which are set out in the 2014 Circular
“Convertible Bonds Instruments”	the instrument by way of deed poll executed by Innovative on 28 July 2014 creating and constituting the Convertible Bonds
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of 51% interest in the share capital of Smart Ascent by the Vendor to the Purchaser
“Disposal Agreement”	a sale and purchase agreement whereas the Vendor disposed of 51% interest in the share capital of Smart Ascent
“First Additional Interest”	an additional interest in the amount of HK\$11,261,250 (representing 15% per annum on the annual interest of the Convertible Bonds multiply by three), being the additional interest for two-year extension for payment of interest for 2019 Interest Period and one-year extension for payment of interest for the 2020 Interest Period

## DEFINITIONS

“First Amendments”	the amendments of certain terms and conditions of the Convertible Bonds pursuant to the First Amendment Deed
“First Amendment Deed”	the deed of amendment dated 26 July 2019 executed by the Company and Innovative in relation to the First Amendments
“First Deed of Waiver”	the deed of waiver dated 26 July 2019 executed by the Company and Innovative in respect of certain obligations of Innovative regarding the First Amendment Deed
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, PRC
“Innovative”	Innovative Pharmaceutical Biotech Limited (formerly known as United Gene High-Tech Group Limited), a limited liability company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 399)
“Innovative Shares”	ordinary share(s) of HK\$0.01 each in the share capital of Innovative
“Latest Practicable Date”	8 July 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	28 July 2023
“Original Maturity Date”	28 July 2021
“PRC”	the People’s Republic of China
“Purchaser”	Clear Rich International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Innovative

## DEFINITIONS

“Second Additional Interest”	an additional interest in the amount of HK\$3,753,750 (representing 15% per annum on the annual interest of the Convertible Bonds), being the additional interest for one-year extension for the payment of interest for 2022 Interest Period
“Second Amendments”	the proposed second amendments of certain terms and conditions of the Convertible Bonds pursuant to the Second Amendment Deed
“Second Amendment Deed”	the second deed of amendment dated 12 May 2021 executed by the Company and Innovative in relation to the Second Amendments
“Second Deed of Waiver”	the deed of waiver dated 12 May 2021 executed by the Company and Innovative in respect of certain obligations of Innovative regarding the Second Amendment Deed
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	a special general meeting of the Company to be convened and held to consider and, if thought fit, to approve the Second Amendment Deed and the transactions contemplated thereunder, including the Second Amendments, and the Second Deed of Waiver
“Shares”	ordinary shares of HK\$ 0.01 each in the share capital of the Company
“Shareholders”	registered holder(s) of Shares
“Smart Ascent”	Smart Ascent Limited, a company incorporated in Hong Kong with limited liability, the entire issued share capital of which was owned by the Vendor prior to the Disposal
“Smart Ascent Group”	Smart Ascent and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong

## DEFINITIONS

“Third Additional Interest”	an additional interest in the amount of HK\$25,900,875 (representing 15% per annum on the aggregate amount of interest of the Convertible Bonds and the First Additional Interest of HK\$86,336,250 multiply by two), being the additional interest for two-year further extension of payment of (a) the interest in the aggregate amount of HK\$75,075,000 for 2019 Interest Period, 2020 Interest Period and 2021 Interest Period; and (b) the First Additional Interest
“Vendor”	Extrawell (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“%”	per cent.

LETTER FROM THE BOARD



**EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED**

**精優藥業控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00858)**

*Executive Directors:*

Xie Yi (*Chairman and Chief Executive Officer*)

Cheng Yong (*Deputy Chief Executive Officer*)

Lou Yi

Wong Sau Kuen

Liu Kwok Wah

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Independent non-executive Directors*

Fang Lin Hu

Xue Jing Lun

Jin Song

*Head office and principal place of  
business in Hong Kong*

Suites 2206–08, 22nd Floor,  
Devon House, Taikoo Place,  
979 King's Road, Quarry Bay,  
Hong Kong

14 July 2021

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION CONCERNING  
THE SECOND AMENDMENTS TO  
THE TERMS AND CONDITIONS OF  
THE CONVERTIBLE BONDS ISSUED BY  
INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

Reference is made to the 2014 Announcements in relation to, among others, the Disposal and completion of the issue of the Convertible Bonds. On 17 March 2014, the Vendor and the Purchaser entered into the Disposal Agreement pursuant to which the Vendor disposed of 51% interest in the share capital of Smart Ascent to the Purchaser. The consideration of the Disposal was HK\$780,000,000 which was satisfied by the Purchaser to the Vendor upon completion of the

\* *For identification purpose only*

## LETTER FROM THE BOARD

Disposal by the issuing of Convertible Bonds and cash payment of HK\$65,000,000. Completion of the Disposal took place on 28 July 2014. On 28 July 2014, Innovative issued the Convertible Bonds to the Company.

Reference is also made to the 2019 Announcements in relation to, among other things, the First Amendment Deed and the First Amendments. On 26 July 2019, the Company and Innovative executed the First Amendment Deed pursuant to which the Company and Innovative agreed to amend certain terms and conditions of the Convertible Bonds, and the First Deed of Waiver. For the details of the First Amendments, please refer to the 2019 Circular.

As at the Latest Practicable Date, the Convertible Bonds in the principal amount of HK\$715,000,000 remain outstanding and are held by the Company as bondholder.

This main purpose of this circular is to provide you with, among other things, (i) further details of the Second Amendment Deed and the transactions contemplated thereunder, including the Second Amendments; (ii) the details of the Second Deed of Waiver; and (iii) a notice of the SGM.

### THE SECOND AMENDMENTS

On 12 May 2021 (after trading hours), the Company and Innovative entered into the Second Amendment Deed in respect of the Second Amendments, pursuant to which the Company agreed with Innovative to further amend certain terms and conditions of the Convertibles Bonds. The Second Amendments were initiated by Innovative. Below is the comparison of differences between the First Amendments and the Second Amendments as contemplated under the Second Amendment Deed:

	<b>Conditions and terms after the</b>	
	<b>First Amendments</b>	<b>Second Amendments</b>
<b>Maturity Date</b>	28 July 2021	28 July 2023
<b>Interest payment Date</b>	The interest payment date for the interest of 2019 Interest Period and 2020 Interest Period will both be extended to 28 July 2021, and the interest payment date for the interest of 2021 Interest Period will be due on 28 July 2021	The interest payment date for the interest of 2019 Interest Period, 2020 Interest Period and 2021 Interest Period will all be extended to 28 July 2023, and the interest payment date for the interest of 2022 Interest Period and 2023 Interest Period will be due on 28 July 2023

## LETTER FROM THE BOARD

### Conditions and terms after the

	First Amendments	Second Amendments
<b>Additional Interests</b>	Innovative shall pay to the Company the First Additional Interest in the amount of HK\$11,261,250 on 28 July 2021	Innovative shall pay to the Company the following as additional interests on 28 July 2023: <ul style="list-style-type: none"> <li>(i) the First Additional Interest in the amount of HK\$11,261,250;</li> <li>(ii) the Second Additional Interest in the amount of HK\$3,753,750 (representing 15% per annum on the annual interest of the Convertible Bonds), being the additional interest for one-year extension for the payment of interest for 2022 Interest Period; and</li> <li>(iii) the Third Additional Interest in the amount of HK\$25,900,875 (representing 15% per annum on the aggregate amount of interest of the Convertible Bonds and the First Additional Interest of HK\$86,336,250 multiply by two), being the additional interest for two-year further extension of payment of (a) the interest in the aggregate amount of HK\$75,075,000 for 2019 Interest Period, 2020 Interest Period and 2021 Interest Period; and (b) the First Additional Interest</li> </ul>

Save as disclosed above, the principal terms of the Convertible Bonds as disclosed in the 2014 Circular which are set out below remain unchanged and are still in full force and effect.

Principal amount	An aggregate principal amount of up to HK\$715,000,000
Interest	3.5% per annum

## LETTER FROM THE BOARD

Conversion Price	The Conversion Price is HK\$2.5 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds.
Adjustment events	<p>The Conversion Price shall from time to time be adjusted upon occurrences of certain events, including but not limited to the followings:</p> <ul style="list-style-type: none"><li>(i) consolidation or sub-division of Innovative Shares;</li><li>(ii) capitalization of profits;</li><li>(iii) capital distribution;</li><li>(iv) issue of Innovative Shares by way of rights, options and warrants;</li><li>(v) issue of any securities if and whenever Innovative shall issue wholly for cash which are convertible into, exchangeable for or carry rights of subscription for Innovative Shares;</li><li>(vi) modification of rights of conversion or exchange or subscription attaching to any such securities;</li><li>(vii) issue of Innovative Shares wholly for cash at more than 20% discount to the market price of such Innovative Shares; and</li><li>(viii) issue of Innovative Shares for acquisition of asset at more than 20% discount to the market price of such Innovative Shares.</li></ul>
Conversion Shares	Based on the initial Conversion Price of HK\$2.5, a maximum number of 286,000,000 Conversion Shares will be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds. The Conversion Shares shall be allotted and issued under the specific mandate to be approved by the independent shareholders of Innovative at the relevant special general meeting.

## LETTER FROM THE BOARD

### Conversion Rights

Each holder of the Convertible Bonds shall have the right, exercisable during the Conversion Period (as defined below) to convert the whole or any part (in multiples of HK\$35,750,000) of the outstanding principal amount of the Convertible Bonds held by such holder of the Convertible Bonds into such number of Conversion Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect on the date of conversion.

No fraction of an Innovative Share shall be issued on conversion of the Convertible Bonds and no cash adjustments will be made.

### Conversion Restrictions

Upon exercise of the conversion rights attaching to the Convertible Bonds,

- (i) the holders of Convertible Bonds and their respective associates, together with parties acting in concert (as defined in the Takeovers Code) with them, will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code; and
- (ii) the public float of Innovative will not be unable to meet the relevant requirements under the Listing Rules.

### Conversion Period

The period commencing from the date of issue of the Convertible Bonds and ending on the day which falls on the 7th anniversary of the date of issue of the Convertible Bonds.

### Early Redemption

Innovative shall not be entitled to redeem all or part of the outstanding Convertible Bonds prior to the Original Maturity Date.

Furthermore, according to the instrument constituting the Convertible Bonds, the holders of the Convertible Bonds do not have the right to early redemption of all or part of the outstanding Convertible Bonds prior to the Original Maturity Date.

## LETTER FROM THE BOARD

Ranking	The Conversion Shares shall rank <i>pari passu</i> in all respects among themselves and with all other existing Innovative Shares outstanding at the date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions.
Transferability	<p>Any transfer of the Convertible Bonds shall be in respect of the whole or any part (in multiples of HK\$35,750,000) of the principal amount of the Convertible Bonds.</p> <p>Furthermore, according to the instrument constituting the Convertible Bonds, the Convertible Bonds must not be transferred to any person, firm or company which is a connected person (as defined in the Listing Rules) of Innovative except in compliance with the applicable requirements under the Listing Rules and the Takeovers Code.</p>
Application for listing	No application will be made by Innovative to the Stock Exchange for listing of the Convertible Bonds. Application will be made by Innovative to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
Notice of conversion by other bondholders	Innovative may, upon request by the holders of the Convertible Bonds in writing, notify the holders of the Convertible Bonds about the conversion of the convertible bonds of Innovative by other bondholders within 7 Business Days from the date of receipt of the relevant conversion notice.

### Conditions Precedent to the Second Amendments

The Second Amendments shall be conditional upon and subject to the following conditions precedent (the “**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;

## LETTER FROM THE BOARD

- (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 Conditions Precedent are fulfilled (the “**Effective Date**”). None of the Conditions Precedent can be waived. If any of the Conditions Precedent is not fulfilled on or before 12 November 2021 (or such other date as the Company and Innovative may agree) (the “**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. If all of the Conditions Precedent have been fulfilled on or before the Long Stop Date, on the Effective Date, Innovative shall execute a deed poll to effect the Second Amendments to the Convertible Bonds Instrument.

As at the Latest Practicable Date, item (d) of the Conditions Precedent has been fulfilled.

### THE DEED OF WAIVER

As disclosed in the Announcement, on 12 May 2021 (after trading hours), the Company and Innovative also executed the Second Deed of Waiver pursuant to which the Company granted to Innovative a waiver in respect of obligations 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 2019 Interest Period, 2020 Interest Period and 2021 Interest Period (collectively, the “**Upcoming Interest Payment**”) and the First Additional Interest when due on the Original Maturity Date and the Company not to take any steps to enforce or make demand for the Upcoming Interest Payment and the First 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 Conditions Precedent has not been fulfilled on or before the 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 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 2019 Interest Period in the sum of HK\$25,025,000;
- (iii) pay to the Company the interest for the 2020 Interest Period in the sum of HK\$25,025,000;
- (iv) pay to the Company the interest for the 2021 Interest Period in the sum of HK\$25,025,000;

## LETTER FROM THE BOARD

- (v) pay the First 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 (i.e. the sum of the amount under the items (i), (ii), (iii), (iv) and (v) above) accrued from 28 July 2021 to the actual date of payment (both days inclusive) on the basis of a 365-day year.

### INFORMATION OF THE COMPANY

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.

### INFORMATION OF INNOVATIVE AND SMART ASCENT

#### 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 (the “**Product**”).

Set out below are the audited consolidated financial information of Innovative for the year ended 31 March 2021 (“**FY2021**”) as extracted from the announcement of Innovative dated 29 June 2021 (the “**2021 Innovative Results Announcement**”), and for the years ended 31 March 2020 and 2019 as extracted from the annual report of Innovative for the year ended 31 March 2020 (the “**2020 Innovative Annual Report**”).

	<b>Year ended 31 March</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	15,189	14,580	18,589
Gross profit	1,405	1,620	1,747
Loss for the year	(212,155)	(222,462)	(260,911)
	<b>As at 31 March</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	1,403,210	1,418,878	1,578,754
Net assets	358,706	567,773	794,812
Bank balances and cash	8,992	22,936	17,058

## LETTER FROM THE BOARD

As stated in the 2020 Innovative Annual Report, revenue of Innovative decreased from about HK\$18,589,000 to HK\$14,580,000 for the year ended 31 March 2020 (“FY2020”), the decrease was mainly attributable to decrease in business of the trading of beauty equipment and products segment during FY2020. Innovative recorded loss of about HK\$222,462,000 during FY2020 which was due to the significant finance cost of about HK\$147,039,000 comprising effective interest expense on the convertible bonds issued by Innovative of approximately HK\$146,367,000, loss on disposal of an associate, being the Company, of approximately HK\$5,266,000 and decrease in fair value of investments in convertible bonds issued by the Company of approximately HK\$22,132,000. The decrease in loss of about HK\$37,810,000 was primarily due to no impairment for the interest in the associate and less amount of loss recorded for change in fair value of investments in convertible bonds issued by the Company, as they were all disposed as of 8 October 2019 during FY2020. Total assets of Innovative primarily comprised of its intangible assets held by the Smart Ascent Group related to the in-process research and development project involving the Product, which amounted to approximately HK\$1,373,224,000 as at 31 March 2020 and 2019. As at 31 March 2020, Innovative has relatively thin cash position of approximately HK\$22,936,000.

As disclosed in the 2021 Innovative Results Announcement, revenue of Innovative increased to about HK\$15,189,000 (FY2020: HK\$14,580,000), the increase was mainly attributable to increase in business of the trading of beauty equipment and products segment during FY2021. Innovative recorded loss of about HK\$212,155,000 (FY2020: HK\$222,462,000) which was due to the significant finance cost of about HK\$191,032,000 comprising effective interest expense on the convertible bonds issued by Innovative of approximately HK\$190,171,000. The decrease in loss of about HK\$10,307,000 was due to no loss was incurred on modification of convertible bonds issued by Innovative and no loss was recorded for change in fair value of investments in convertible bonds issued by the Company during FY2021, but such reduction in loss was partly offset by the increase in effective interest expense on convertible bonds issued by Innovative, and there were decreases in the administrative expenses and research and development expenses. Total assets of Innovative comprised of its intangible assets held by Smart Ascent Group related to the in-process research and development project involving the Product was HK\$1,373,224,000 as at 31 March 2021 and 2020. As at 31 March 2021, Innovative has bank balances and cash amounting to HK\$8,992,000.

### **Smart Ascent**

Smart Ascent is a 51% owned subsidiary of Innovative and the remaining 49% of Smart Ascent is owned by the Group. Smart Ascent Group is principally involved in the development of the Product, which is still at its clinical trial stage. To satisfy the working capital requirements of Smart Ascent Group, Innovative and the Company through their respective wholly-owned subsidiaries as lenders and Smart Ascent as borrower entered into a shareholders’ loan agreement on 27 July 2018 for a loan to Smart Ascent amounting to HK\$30,000,000 in total, contributed as to 51% by Innovative and as to 49% by the Group. Smart Ascent had drawn down HK\$10,000,000 and HK\$20,000,000 of the loan in September 2018 and August 2019, respectively.

## LETTER FROM THE BOARD

Smart Ascent Group has commenced part B of phase III clinical trial of the Product which is typically considered as the final stage of clinical trial before commercialization and to the best of the knowledge, information and belief of the Directors, Innovative has been allocating its internal resources to finance the development of the Product and would do its best endeavor to inject additional resources to the Smart Ascent Group to facilitate the development of the Product.

The outbreak of coronavirus disease (COVID-19) in the PRC since early 2020 has disrupted the normal operations of participating hospitals for the clinical trial of the Product, and to ensure the safety of patients and clinical researchers, the clinical trial in the process of selection and enrolment of patients was temporarily suspended pending improvement in the pandemic situation. As the COVID-19 pandemic situation in the PRC has gradually improved, during the third quarter of 2020, the enrolment of patients has commenced and currently the process of patient enrolment and selection is still ongoing. To the best information of the Company, prior to the commercialization of the Product, the Product shall undergo those processes including a) execution of clinical trial testing; data and outcome analysis; preparation of the clinical trial outcome report; b) arrangement for production and sourcing of raw materials; and preparation for pre-marketing activities; and c) submission of clinical trial report to the National Medical Products Administration, and subject to its approval, applying for the new medicine certificate, and the manufacturing permit. Based on the current information available to the Company, though the pandemic situation in the PRC is largely under control, the control measures associated with the unpredicted, prolonged pandemic situation have been continuously implemented causing certain delay in patient enrolment and selection, thus the timeline for commercialization of the Product is currently expected to be in around mid of 2023.

As disclosed above, the Board is of the view that the financial performance of Innovative was unsatisfactory and its cash position was relatively thin, and given the current volatile market conditions under the impact of COVID-19 pandemic, it is expected that Innovative would encounter difficulty in obtaining new debt or bank borrowings (without providing collaterals) with favorable terms or procurement of equity financing.

Hence, the Board is of the view that the Second Amendments would facilitate more time for the investment of Innovative in Smart Ascent and the Group expects to enjoy the economic benefits as share of profit of an associate when the Smart Ascent Group becomes profit making following commercialization of the Product.

## LETTER FROM THE BOARD

### FINANCIAL EFFECT OF THE SECOND AMENDMENTS

Upon the Second Amendments becoming effective, it is expected of the following financial impacts to the Group:

#### **Earnings**

##### *Gain on receipt of the annual interests and the additional interests*

Pursuant to the Second Amendments, the Original Maturity Date will be extended by two years from 28 July 2021 to 28 July 2023, the principal amount of the Convertible Bonds remaining outstanding will be redeemed on the Maturity Date, and no interest will be received from the Convertible Bonds until the Maturity Date. However, there will be a generation of additional income by the extended maturity date of the Convertible Bonds to the Maturity Date i.e. 28 July 2023. Innovative will have to pay on the Maturity Date the interests and additional interests in an aggregate amount of HK\$166,040,875 comprising the Upcoming Interest Payment and the First Additional Interest and a total sum of HK\$79,704,625 (as stated in (i), (iii) and (iv) below), as set out below:

- (i) the annual interest for the 2022 Interest Period and 2023 Interest Period in the aggregate amount of HK\$50,050,000;
- (ii) the Upcoming Interest Payment including the interest payments for the 2019 Interest Period, 2020 Interest Period and 2021 Interest Period and the First Additional Interest in the aggregate amount of HK\$86,336,250;
- (iii) the Second Additional Interest representing 15% per annum for the one-year extension for interest payment of the 2022 Interest Period in the sum of HK\$3,753,750;
- (iv) the Third Additional Interest representing 15% per annum for the two-year further extension of the Upcoming Interest Payment and the First Additional Interest in the sum of HK\$25,900,875.

The postponement of time to the Maturity Date for receipt of the Upcoming Interest Payment and the First Additional Interest in the amount of HK\$86,336,250, the receipts on the Maturity Date of the interest payments (as stated in (i) above) and the gain of additional interests respectively resulting from the extension of interest payment and the further extension of the Upcoming Interest Payment and the First Additional Interest to the Maturity Date (as stated in (iii) and (iv) above), as to approximately HK\$25,698,447, HK\$40,515,646 and HK\$13,490,532 in each of the years ending 31 March 2022, 2023 and 2024, will be reflected as fair value change in the valuation of the Convertible Bonds (subject to qualified valuer's report) in the respective financial years, in accordance with Hong Kong Financial Reporting Standard 9 "Financial Instruments" and would be expected to increase the total

## LETTER FROM THE BOARD

equity of the Company in each of the financial years ending 31 March 2022, 2023 and 2024. The net cash proceeds from the items stated in (i) to (iv) above would improve the overall cash flow of the Group in the financial year ending 31 March 2024.

### **Assets and liabilities**

As disclosed in the Company's announcement of annual results for the year ended 31 March 2021, the audited total assets and liabilities of the Group were approximately HK\$1,164,239,000 (2020: HK\$1,265,710,000) and HK\$134,945,000 (2020: HK\$125,862,000) respectively as at 31 March 2021, and the audited total current assets and current liabilities were HK\$211,082,000 (2020: HK\$209,095,000) and HK\$57,893,000 (2020: HK\$58,332,000) respectively as at 31 March 2021. As at the Latest Practicable Date, the Group's current assets and current liabilities are expected to be HK\$205,425,000 and HK\$49,890,000 respectively, arriving at net current assets of approximately HK\$155,535,000. It is expected that the Second Amendments will have no immediate material impact on the liquidity of the Group for the financial years ending 31 March 2022, 2023 and 2024.

## **REASONS FOR AND BENEFITS OF THE PROPOSED SECOND AMENDMENTS**

### **Extension on the maturity date and the payment of the interest of the Convertible Bonds**

The Directors are of the view that the Second Amendments does not constitute a material variation to the terms of the Convertible Bonds. The Original Maturity Date of the Convertible Bonds will be due on 28 July 2021. The Company has received from Innovative the respective payments of interest on the Convertible Bonds in accordance with the respective due dates on 28 July 2015, 2016, 2017 and 2018 respectively. Under the Second Amendments, the Company was approached by Innovative for the extension of the Original Maturity Date, and further extension of the payment of interest for 2019 Interest Period, 2020 Interest Period and 2021 Interest Period ("**Extension**").

In consideration for the Extension, pursuant to the Second Amendment Deed, Innovative agreed to pay to the Company the interest for the 2022 Interest Period and 2023 Interest Period, the Second Additional Interest and the Third Additional Interest.

The Extension is agreed for two years from the Original Maturity Date. The two-year extension period was requested by Innovative in order to enable it to have sufficient time to arrange for the funding to meet its payment obligations under the Convertible Bonds, including obtaining of loans from banks, and equity financing as the financial market is expected to be less volatile following the large scale of COVID-19 vaccination worldwide including Hong Kong.

The Company has no present intention of converting the Convertible Bonds into the Innovative Shares 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 the Extension 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

## LETTER FROM THE BOARD

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 Directors consider that the Extension 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, on the other hand, the interest payment for the 2022 Interest Period and 2023 Interest Period, the Second Additional Interest and the Third Additional Interest shall exceed the interest income from placing bank deposits. Therefore, the Directors consider that the return from the Extension including the interest payment for the 2022 Interest Period and 2023 Interest Period, the Second Additional Interest and the Third Additional Interest in the Second Amendments will bring benefit and generate additional income to the Group. The Extension is generally in line with the expected time required for the Product to commence commercialization, which will facilitate the investment of Innovative in Smart Ascent such that the Group would also enjoy the economic benefits as share of profit of an associate when the Smart Ascent Group becomes profit making following commercialization of the Product. Finally, save for the continuing operation of the existing business of the Group, the Group currently does not plan to acquire or invest in other material investment, and taking into account the Group's financial position, the business operation of the Group will not be adversely affected by the Extension.

Accordingly, the Directors consider that the two-year extension period is on normal commercial term and is fair and reasonable as Innovative will also pay the annual interest for the 2022 Interest Period and 2023 Interest Period on the Maturity Date, and given the current volatile market condition under the impact of the COVID-19 pandemic, the two-year extension of time can accommodate Innovative to continue deploying its financial resources in Smart Ascent Group for the commercialization of the Product, and to perform its payment obligations on the Maturity Date, which will be in the interests of the Company and the Shareholders as a whole.

The Convertible Bonds was issued on 28 July 2014. The initial Conversion Price of HK\$2.5 per Conversion Share represents:

- (i) a premium of approximately 904.02% to the closing price of HK\$0.249 per Innovative Share as quoted on the Stock Exchange on the date of the Second Amendment Deed;
- (ii) a premium of approximately 908.06% to the average closing price of HK\$0.248 per Innovative Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of signing of the Second Amendment Deed;
- (iii) a premium of approximately 908.06% to the average closing price of HK\$0.248 per Innovative Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of signing of the Second Amendment Deed; and

## LETTER FROM THE BOARD

- (iv) a premium of approximately 544.33% and 920.41% over the net asset value of approximately HK\$0.388 and HK\$0.245 per Innovative Share, calculated based on the respective audited consolidated net assets of HK\$567,773,000 and HK\$358,706,000 as at 31 March 2020 and 2021 and 1,464,193,024 Innovative Shares in issue as at the date of the Second Amendment Deed, respectively.

Assuming that the Company exercises the conversion rights attaching to the Convertible Bonds prior to the Original Maturity Date, 286,000,000 Innovative Shares will be allotted and issued to the Company, which represents approximately 19.53% of the Innovative Shares in issue as at the date of the Second Amendment Deed or approximately 16.34% of the issued Innovative Shares as enlarged upon the conversion.

The Company considers that the holding of the Convertible Bonds which are interest-bearing at 3.5% per annum, to maturity, shall provide more monetary benefits to the Company, as such, the Company has no present intention of converting the Convertible Bonds into Innovative Shares.

Having considered the above, the Directors (including the independent non-executive 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 the Shareholders as a whole.

### ***Basis for the annual interest rate of the Convertible Bonds and the additional interest rate on the extension/further extension of interest payment***

It is agreed in the Second Amendment Deed that the annual interest rate for the two-year extension of the Convertible Bonds from the Original Maturity Date is 3.5% per annum for the 2022 Interest Period and 2023 Interest Period.

The Company has searched for relevant convertible bonds/notes issued by companies listed on the Stock Exchange announced for the past three months prior to and including 12 May 2021 (i.e. the date of the Second Amendment Deed), on a best effort basis, excluding issuance of A share convertible bonds and issuance of convertible bonds by companies with a weighted voting right structure, which are considered of less relevance to the Company. Having considered that the abovementioned period adopted is appropriate to illustrate the current market practice in relation to prevailing coupon interest rate applied to similar convertible bonds issued under the current market condition and sentiment, the Company has identified an exhaustive list of 9 comparables (the “**Comparables**”). However, Shareholders should note that the businesses, operations and prospects

## LETTER FROM THE BOARD

of Innovative are not the same as the subject companies of the Comparables which are only used to provide a general reference for the common market practice. Summary of the Comparables are set out as below:

Date of announcement	Company name	Stock code	Principal amount (‘000)	Interest rate per annum (%)	Maturity (years)	Interest payment
22 February 2021	Hope Education Group Co., Ltd.	1765	US\$350,000,000	nil	5	not applicable
8 March 2021	Carrianna Group Holdings Company Limited	126	HK\$75,425,251.80	3	2	semi-annual
31 March 2021	XD Inc.	2400	US\$280,000,000	1.25	5	semi-annual
1 April 2021	Bonjour Holdings Limited	653	HK\$129,500,000	8	5	semi-annual
1 April 2021	Sheng Yuan Holdings Limited	851	HK\$150,000,000	1	2	annual
15 April 2021	New Concepts Holdings Limited	2221	HK\$16,826,000	6	3	annual
18 April 2021	National Arts Entertainment And Culture Group Limited	8228	HK\$25,000,000	4	3	maturity
20 April 2021 & 21 April 2021	Baofeng Modern Int’l Holdings Company Limited	1121	HK\$50,000,000	5	2	annual
26 April 2021	Kirin Group Holdings Limited	8109	HK\$14,290,173.66	2	1	annual
			Maximum	8		
			Minimum	0		
			Average	3.36		
			Median	3		

*Source: the website of the Stock Exchange (www.hkex.com.hk)*

The annual interest rate of 3.5% per annum on the principal amount of the Convertible Bonds for the 2022 Interest Period and the 2023 Interest Period is within the above range of nil to 8% and is higher than the average 3.36% and the median 3%, of the Comparables as illustrated above.

Further, additional interest calculated at 15% per annum will be paid to the Company on the Maturity Date for (a) the further two-year extension of payment for the Upcoming Interest Payment and the First Additional Interest; and (b) the one-year extension of interest payment for the 2022 Interest Period.

The additional interest calculated at 15% per annum was arrived at after arm’s length negotiation between Innovative and the Company, having taken into account the prevailing deposits interest rate available to the Group and the prevailing best lending rate of 5.25% by the Group’s principal banker and other commercial banks in Hong Kong. The Directors also consider that the additional interest rate at 15% per annum which is approximately two times over the aforesaid best lending rate is fair and reasonable, given that the Company will grant the one-year extension of

## LETTER FROM THE BOARD

interest payment for the 2022 Interest Period and the further two-year extension of the Upcoming Interest Payment and the First Additional Interest, and under the circumstance that no collateral is provided to the Group.

The Group's bank balances and pledged bank deposits carried variable interest rates of 0.001% to 1.85% per annum and 0.1% to 0.7% per annum for the year ended 31 March 2021, respectively. Hence, the annual interest rate of 3.5% on the principal amount of the Convertible Bonds and the additional interest rate of 15% per annum on the Upcoming Interest Payment and the First Additional Interest, and the 2022 Interest Period are higher than the existing interest rates of the Group's bank balances and pledged bank deposits (and when compared to deposit interest rates available from other commercial banks in Hong Kong) and the two-year extension of the maturity of the Convertible Bonds to the Maturity Date represents an additional income of approximately HK\$79,704,625 to the Group, which include two-year annual interest during 28 July 2021 to 27 July 2023 (HK\$50,050,000), the Second Additional Interest (HK\$3,753,750) and the Third Additional Interest (HK\$25,900,875).

As discussed above and according to the 2020 Innovative Annual Report, it is noted that the financial performance of Innovative was unsatisfactory and its cash position was relatively thin. The Board estimates that Innovative is going to plan for, among others, obtaining of loans from banks and doing equity financing, which will be in a better position to arrange for the funding to meet its payment obligations on the Maturity Date. The Board is optimistic that the market condition will turn to be more stable in the near future and thus is of the view that the Extension will make the repayment of all outstanding sum under the Convertible Bonds more feasible.

Despite the weak financial performance of Innovative, it is noted that the clinical trial of the Product is in progress, that Innovative's core operating business is ongoing, and as far as the Company is aware of, there has not been any material events occurred that may adversely affect Innovative's financial and trading position nor indicate that any of the principal or interests of the Convertible Bonds in relation to the Second Amendments is not recoverable on the Maturity Date. As such, the Board, having struck a balance on the risk and benefit in respect of the Second Amendments, is of the view that the Second Amendments will bring benefits to the Group.

Based on the above, the Directors consider that the interests resulting from the Extension are all arrived at after arm's length negotiation between the Company and Innovative and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### LISTING RULES IMPLICATIONS

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

## **LETTER FROM THE BOARD**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Latest Practicable Date, (i) 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 the 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). In light of Dr. Mao Yumin's relationship with the Company and Innovative, the Board is of the view that Dr. Mao Yumin is required to abstain from voting on the proposed ordinary resolution at the SGM.

Set out on pages SGM-1 to SGM-2 to this circular is the notice convening the SGM to be held at Forum Room II & Boardroom, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 30 July 2021 at 11:00 a.m. at which an ordinary resolution will be proposed at the SGM to approve the Second Amendments.

A form of proxy for use at the SGM is also enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (or any adjournment thereof) to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so wish.

### **RECOMMENDATION**

The Board considers that the terms and conditions of the Second Amendment Deed and the Second Amendments contemplated thereunder, and the Second Deed of Waiver have been arrived at after arm's length negotiation between the Company and Innovative which are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the SGM to consider, if thought fit, passing resolution to approve the Second Amendment Deed, the Second Amendments and the transactions contemplated thereunder, and the Second Deed of Waiver.

### **FURTHER INFORMATION**

Your attention is drawn to the information set out in the appendices to this circular.

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

## 1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three years ended 31 March 2018, 2019 and 2020 and the six months ended 30 September 2020 have been disclosed in the annual reports of the Company for each of the three years ended 31 March 2018, 2019 and 2020 and the interim report for the six months ended 30 September 2020 respectively. The aforementioned annual reports and the interim report have been published on both the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.extrawell.com.hk](http://www.extrawell.com.hk) as follows:

- (A) in respect of the annual report of the Company for the year ended 31 March 2018 (pages 62 to 183):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0719/ltn20180719318.pdf>  
[http://www.extrawell.com.hk/catalog/pdf/2018AR\\_E.pdf](http://www.extrawell.com.hk/catalog/pdf/2018AR_E.pdf)

- (B) in respect of the annual report of the Company for the year ended 31 March 2019 (pages 72 to 207):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0719/ltn20190719245.pdf>  
[http://www.extrawell.com.hk/catalog/pdf/LTN20190719245\\_E.pdf](http://www.extrawell.com.hk/catalog/pdf/LTN20190719245_E.pdf)

- (C) in respect of the annual report of the Company for the year ended 31 March 2020 (pages 75 to 203):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0727/2020072700588.pdf>  
[http://www.extrawell.com.hk/catalog/pdf/2020%20AR\\_e.pdf](http://www.extrawell.com.hk/catalog/pdf/2020%20AR_e.pdf)

- (D) in respect of the interim report of the Company for the six months ended 30 September 2020 (pages 2 to 27)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1210/2020121000397.pdf>  
[http://www.extrawell.com.hk/catalog/pdf/2020121000397\\_e.pdf](http://www.extrawell.com.hk/catalog/pdf/2020121000397_e.pdf)

## 2. INDEBTEDNESS

### **Borrowings and other indebtedness**

As at the close of business on 31 May 2021, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had no borrowings other than the outstanding principal amount of the 2013 Convertible Bonds (as defined below) of HK\$577,170,000.

As at the close of business on 31 May 2021, the Group did not have bank borrowings but had banking facilities on trade finance, which were supported by the pledge of the Group's fixed deposits of about HK\$21,600,000 and corporate guarantees from the Company and certain subsidiaries of the Company.

As at the close of business on 31 May 2021, the Group had current and non-current lease liabilities of approximately HK\$1,770,948 and HK\$1,833,756 respectively.

### **Contingent liabilities**

On 16 July 2013, the Company issued 20-year zero coupon convertible bonds with an aggregate principal amount of HK\$641,300,000 (the “**2013 Convertible Bonds**”). The 2013 Convertible Bonds are convertible at the option of their holders into ordinary shares of the Company at the initial conversion price of HK\$0.6413 per share on or before the seventh business day prior to the maturity date of 16 July 2033. As at 31 May 2021, the outstanding principal amount of the 2013 Convertible Bonds was HK\$577,170,000.

As at 31 May 2021, corporate guarantees totaling HK\$18,000,000 were given by the Group to a bank in connection with banking facilities to a maximum amount of HK\$18,000,000 provided to certain subsidiaries of the Company, and approximately HK\$nil of the banking facilities had been utilized.

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 May 2021, the Group had no other outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. To the best knowledge of the Directors having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the Group since 31 May 2021 and up to the Latest Practicable Date.

### **3. WORKING CAPITAL**

The Directors, after taking into account the present internal financial resources available to the Group including internally generated cash flows and the existing banking and credit facilities available, are of the opinion that the Group has sufficient working capital for its requirements in the next 12 months from the date of publication of this circular.

### **4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group is principally engaged in the businesses of the development, manufacture and sales of pharmaceutical products in the PRC, the marketing and distribution of imported pharmaceutical products to customers in the PRC and the commercial exploitation and development of genome-related technology.

The Group’s two core operating segments which are related to pharmaceuticals businesses in the PRC i.e. the manufacturing segment and the trading segment, are further described below. The gene development is not active.

Amid the uncertainties and challenges brought by the ongoing COVID-19 pandemic and the escalating tensions between China and the United States, the Chinese government has stepped up the building of its new development pattern of “dual circulation” featuring domestic and

international dual circulations that complement each other, aiming at achieving sustained and healthy economic development with a focus on higher quality growth for the years to come. Although China's economic growth has been slowing down, it is expected that the Chinese government will continue to invest in healthcare reforms for the strengthening of a high-standard market system and the enhancement of health system under the Fourteenth Five-Year Plan (2021–2025). China's pharmaceutical industry is undergoing transformation and upgrading and is expected to develop in a sustainable, quality-oriented growth direction.

Despite the highly complicated operating environment under the influence of the COVID-19 pandemic and sweeping regulatory healthcare reform policies, the Group has kept reinforcing its fundamentals by enhancing its production capacity and operational efficiency of its manufacturing segment, and through years' continuous efforts in improving the performance of the manufacturing segment, the segment has achieved positive results in the financial years of 2020 and 2021, notwithstanding that the trading segment has been loss-making due to the impacts of loss of sales contribution from the imported products which were suspended due to issues of manufacturing practices. The Group believes that the positive progress of its manufacturing segment reflects the effectiveness of the strategic initiatives on enhancing its core competitiveness and will stay focused on the strategic direction towards developing its self-manufactured products, while the Group will continue to work with its business partners in an effort to explore a new range of products and build up a new sales platform to capture market opportunities and restore the performance of its trading segment.

In addition, as a 49% minority shareholder of Smart Ascent Limited and its subsidiaries (the “**Smart Ascent Group**”), the Group will continue to coordinate with Innovative, the 51% majority shareholder of the Smart Ascent Group in advancing the progress of the oral insulin project. In light of the constantly increasing diabetic population in the PRC as the elderly population accelerates and life expectancy increases, market demand for quality diabetes drugs is expected to be enormous. The Group believes that the successful launching of the oral insulin product in the future would justify the Group's investments and bring benefits to the Group.

The Group believes that, though the outbreak of COVID-19 has seen to impact the overall growth of China's pharmaceutical industry in the short term, its growth trend in the longer term will not be fundamentally changed because of growing market demands of aging population, accelerating urbanization and the Chinese residents' rising living standards as well as continuing supports and investments by the Chinese government in pursuit of Healthy China. The Group also believes that it has maintained prudent cash management to preserve a sound financial position, which remains stable, and holds a cautiously optimistic view for the coming years as it has been well-positioned to cope with future challenges arising from China's ever-changing pharmaceutical market condition, and will be in a better position to grasp the potential opportunities embraced with the challenges ahead.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

- (a) As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Name of the company/ associated corporation	Capacity	Number of Shares held/ entitled	Approximate percentage of the issued share capital of the Company
Dr. Xie Yi (i)	The Company	Through controlled corporations	900,000,000	37.66%
Mr. Cheng Yong (ii)	The Company	Directly beneficially owned	830,000	0.04%
		Through controlled corporations	140,760,000	5.89%
		Held by spouse	<u>5,090,000</u>	<u>0.21%</u>
			146,680,000	6.14%

*Notes:*

- (i) These 900,000,000 Shares represent Conversion Shares to be allotted and issued to the bondholder, United Gene International Holdings Group Limited (“UG International”) upon exercise in full of the conversion rights by UG International, at Conversion Price of HK\$0.6413 per Share under the Company’s 20-year zero coupon convertible bonds issued on 16 July 2013 with principal amount of HK\$577,170,000 outstanding. The entire issued share capital of UG International is owned by JNJ Investments Ltd which is wholly owned by Biowindow Gene Development (Hong Kong) Limited (“HK Biowindow”), and the entire issued share capital of HK Biowindow is owned by United Gene Group Ltd (a company incorporated in the British Virgin Islands). The issued share capital of United Gene Group Ltd is owned as to 33% by Ease Gold Investments Limited, which is wholly owned by Dr. Xie Yi.
  - (ii) 1,060,000 Shares and 139,700,000 Shares are respectively held by Merchandise Holdings Limited and United Gene Industry Group Limited, both are companies incorporated in the British Virgin Islands and are wholly owned by Mr. Cheng Yong.
- (b) Save as disclosed in paragraph 2(a) above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.
- (c) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2020 being the date to which the latest published audited consolidated financial statements of the Group were made up.
- (d) As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the date of this circular which is significant in relation to the business of the Group.
- (e) As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

### **3. SUBSTANTIAL SHAREHOLDERS**

- (a) As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (other than a Director and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions

of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Capacity	Number of Shares held/ entitled	Approximate percentage of the issued share capital of the Company
Dr. Mao Yumin	Directly beneficially owned	189,920,000	7.94%
	Through controlled Corporations ( <i>Note</i> )	900,000,000	37.66%
		1,089,920,000	45.60%
Huang Zhenping	Directly beneficially owned	150,000,000	6.28%

*Note:* These 900,000,000 Shares represent Conversion Shares to be allotted and issued to the bondholder, United Gene International Holdings Group Limited (“UG International”) upon exercise in full of the conversion rights by UG International, at Conversion Price of HK\$0.6413 per Share under the Company’s 20-year zero coupon convertible bonds issued on 16 July 2013 with principal amount of HK\$577,170,000 outstanding. The entire issued share capital of UG International is owned by JNJ Investments Ltd which is wholly owned by Biowindow Gene Development (Hong Kong) Limited (“HK Biowindow”), and the entire issued share capital of HK Biowindow is owned by United Gene Group Ltd (a company incorporated in the British Virgin Islands). The issued share capital of United Gene Group Ltd is owned as to 33% by United Gene Holdings Limited, which is wholly owned by Dr. Mao Yumin.

- (b) As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than the Company).

Name of the company	Name of shareholder	Number of shares/Amount of registered capital held	Approximate percentage of interests
Changchun Extrawell Pharmaceutical Co., Ltd.	吉林省澤遠實業有限公司	Renminbi 9,140,000	18%
Grand Success Management Limited	Charmtex Investments Limited	10,000 shares of US\$1 each	20%

- (c) Save as disclosed in this circular, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, there was no other person who had any interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

#### 4. LITIGATION

As at the Latest Practicable Date, the Directors were not aware of any litigation or claims of material importance pending or threatened against any member of the Group.

#### 5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contracts with any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation).

#### 6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**7. MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

- (a) the First Amendment Deed dated 26 July 2019 executed by the Company and Innovative in relation to the First Amendments;
- (b) the First Deed of Waiver dated 26 July 2019 executed by the Company and Innovative in respect of certain obligations of Innovative regarding the First Amendment Deed;
- (c) the Second Amendment Deed dated 12 May 2021 executed by the Company and Innovative in relation to the Second Amendments;
- (d) the Second Deed of Waiver dated 12 May 2021 executed by the Company and Innovative in respect of certain obligations of Innovative regarding the Second Amendment Deed.

**8. EXPERT AND CONSENT**

Not applicable.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at Suites 2206–08, 22nd Floor, Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong, from the date of this circular up to and including the date of the SGM:

- (a) the Second Amendment Deed;
- (b) the Second Deed of Waiver;
- (c) the memorandum and bye-laws of the Company;
- (d) the material contracts referred to in the section headed "Material Contracts" of this appendix;
- (e) the interim report of the Company for the six months ended 30 September 2020;
- (f) the annual report of the Company for the financial year ended 31 March 2020;
- (g) the annual report of the Company for the financial year ended 31 March 2019;
- (h) the annual report of the Company for the financial year ended 31 March 2018;

- (i) the 2014 Circular;
- (j) the 2019 Circular; and
- (k) this circular.

#### 10. GENERAL

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street Hamilton HM 11, Bermuda and the head office and principal place of business of the Company in Hong Kong is Suites 2206–08, 22nd Floor, Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.
- (b) The joint company secretaries of the Company are Mr. LIU Kwok Wah and Ms. WONG Sau Kuen. Mr. Liu Kwok Wah is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over this respective Chinese text in the case of inconsistency.

NOTICE OF SGM



**EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED**

**精優藥業控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00858)**

**NOTICE IS HEREBY GIVEN** that a special general meeting of Extrawell Pharmaceutical Holdings Limited (the “**Company**”) will be held at Forum Room II & Boardroom, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 30 July 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution which will be proposed as ordinary resolution of the Company:

**ORDINARY RESOLUTION**

**“THAT:**

- (a) the second amendment deed (the “**Second Amendment Deed**”) and second deed of waiver (the “**Second Deed of Waiver**”) both dated 12 May 2021 entered into between the Company and Innovative Pharmaceutical Biotech Limited (“**Innovative**”) in relation to the amendment of certain terms and conditions (the “**Second Amendments**”) of the convertible bonds issued by Innovative to the Company in the principal amount of HK\$715,000,000 (the “**Convertible Bonds**”) (a copy of the Second Amendment Deed and Second Deed of Waiver has been produced to the meeting marked “A” and “B” respectively and signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved, ratified and confirmed, and all the transactions contemplated thereunder, including the Second Amendments, be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company (the “**Directors**”) are hereby authorized for and on behalf of the Company to do all such further acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivering all agreements, documents and instruments) and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the transactions contemplated under the Second Amendment Deed and the Second Deed of Waiver.”

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

Hong Kong, 14 July 2021

\* *For identification purpose only*

## NOTICE OF SGM

*Registered Office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*  
Suites 2206–08, 22nd Floor,  
Devon House, Taikoo Place,  
979 King's Road,  
Quarry Bay,  
Hong Kong

*Notes:*

1. A member of the Company entitled to attend and vote at the meeting above is entitled to appoint in written form one or, if he is the holder of two or more shares (“**Shares**”) of the Company, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the above meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such Shares shall alone be entitled to vote in respect thereof.
3. A form of proxy for use at the meeting is enclosed. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorized, and must be deposited at the Company’s branch share registrar and transfer office in Hong Kong (“**Branch Registrar**”), Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding the meeting (or any adjournment thereof).
4. For the purpose of determining members who are qualified for attending the above meeting, the register of members of the Company will be closed from 27 July 2021 to 30 July 2021 (both days inclusive), during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Branch Registrar at the above address by no later than 4:30 p.m. on 26 July 2021.
5. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting (or any adjournment thereof) and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Due to COVID-19 and social distancing rules imposed by the Hong Kong Government, members are strongly encouraged to cast your votes by appointing the Chairman of the Meeting as your proxy to vote on the resolution(s) instead of appointing a proxy other than the Chairman of the Meeting or attending in person.
7. The notice has been printed in English and Chinese. In the event of any inconsistency, the English text of this notice shall prevail over its Chinese text.

*As at the date of this notice, 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.*