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EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED

精優藥業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00858)

DISCLOSEABLE TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

PROVISION OF FINANCIAL ASSISTANCE

On 27 July 2018, the First Shareholders' Loan Agreement was entered into between the Lenders as lenders and the Borrower as borrower. The Borrower is owned by the Lenders as to 49% by the Group and 51% by Innovative Group. Pursuant to the First Shareholders' Loan Agreement, the Lenders granted the Previous Loan in a principal amount of HK\$30 million to the Borrower for a term of 60 months commencing from the date of each drawdown of the Previous Loan. The Previous Loan was contributed by the Lenders in proportion to their respective shareholdings to the Borrower and the Group has contributed 49% amounting to HK\$14.7 million ("**Company Previous Loan Portion**") in the Previous Loan which (and the accrued interest thereon) remains outstanding as at the date of this announcement.

On 8 March 2022 (after trading hours of the Stock Exchange), the Second Shareholders' Loan Agreement was entered into between the Lenders as lenders and the Borrower as borrower. Pursuant to the Second Shareholders' Loan Agreement, the Lenders agreed to grant the Second Facilities of up to a principal amount of HK\$12 million to the Borrower for a term of 60 months commencing from each drawdown date of the Second Facilities. The Second Facilities will be contributed by the Lenders in proportion to their respective shareholdings to the Borrower and the Group will contribute 49% amounting to HK\$5.88 million ("**Company Second Loan Portion**") in the Second Facilities if all the Second Facilities is drawn down by the Borrower.

LISTING RULES IMPLICATIONS

At the time of entering into the First Shareholders' Loan Agreement, Innovative was a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules. As the grant of the Previous Loan was in proportion to the Lenders' respective shareholdings in the Borrower, and the entering into of the First Shareholders' Loan Agreement was conducted on normal commercial terms, the provision of the Company Previous Loan Portion was a fully exempt connected transaction of the Company under Rule 14A.89 of the Listing Rules, and as all the applicable percentage ratios were less than 5%, the transaction contemplated under the First Shareholders' Loan Agreement did not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

At the time of entering into the Second Shareholders' Loan Agreement, Innovative was no longer a connected person of the Company as Innovative had ceased to be a substantial shareholder of the Company since 8 October 2019. As the First Shareholders' Loan Agreement remains in full force and effect as at the date of the Second Shareholders' Loan Agreement, and the Company Previous Loan Portion is still outstanding, the granting of the Company Second Loan Portion under the Second Shareholders' Loan Agreement is required to aggregate with the granting of the Company Previous Loan Portion under the First Shareholders' Loan Agreement in accordance with the Rule 14.22 of the Listing Rules. The Stock Exchange has also accepted the Company to use the gross profit ratio as an alternative size test in computing the size tests for the transactions contemplated under the Shareholders' Loan Agreements. Since one of the applicable percentage ratios upon the aggregation of the Shareholders' Loan Agreements is higher than 5% but less than 25%, the granting of the Company Previous Loan Portion and Company Second Loan Portion in aggregate constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

PROVISION OF FINANCIAL ASSISTANCE

On 27 July 2018, the First Shareholders' Loan Agreement was entered into between the Lenders as lenders and the Borrower as borrower. The Borrower is owned by the Lenders as to 49% by the Group and 51% by Innovative Group. Pursuant to the First Shareholders' Loan Agreement, the Lenders granted the Previous Loan in a principal amount of HK\$30 million to the Borrower for a term of 60 months commencing from the date of each drawdown of the Previous Loan. The Previous Loan was contributed by the Lenders in proportion to their respective shareholdings to the Borrower and the Group has contributed 49% amounting to HK\$14.7 million ("**Company Previous Loan Portion**") in the Previous Loan which (and the accrued interest thereon) remains outstanding as at the date of this announcement.

On 8 March 2022 (after trading hours of the Stock Exchange), the Second Shareholders' Loan Agreement was entered into between the Lenders as lenders and the Borrower as borrower. Pursuant to the Second Shareholders' Loan Agreement, the Lenders agreed to grant the Second Facilities of up to a

principal amount of HK\$12 million to the Borrower for a term of 60 months commencing from each drawdown of the Second Facilities. The Second Facilities will be contributed by the Lenders in proportion to their respective shareholdings to the Borrower and the Group will contribute 49% amounting to HK\$5.88 million (“**Company Second Loan Portion**”) in the Second Facilities if all the Second Facilities is drawn down by the Borrower.

Principal Terms of the First Shareholders’ Loan Agreement and the Second Shareholders’ Loan Agreement

	First Shareholders’ Loan Agreement	Second Shareholders’ Loan Agreement
Date:	27 July 2018	8 March 2022
Lenders:	(i) Extrawell (49%) (ii) Clear Rich (51%)	(i) Extrawell (49%) (ii) Clear Rich (51%)
Borrower:	The Borrower	The Borrower
Principal amount of the loan facilities:	HK\$30 million	HK\$12 million
	<i>Drawdown date (Amount):</i> 20 September 2018 (HK\$10 million) 6 August 2019 (HK\$5 million) 13 August 2019 (HK\$15 million)	—
Availability period:	24 months commencing from the date of the First Shareholders’ Loan Agreement	24 months commencing from the date of the Second Shareholders’ Loan Agreement
Interest rate:	5% per annum	5% per annum
Security:	No security is provided by the Borrower	No security is provided by the Borrower
Repayment term:	The Borrower shall repay the outstanding principal amount of each drawdown of the Previous Loan in full together with any accrued and unpaid interest in one lump sum on the final repayment date.	The Borrower shall repay the outstanding principal amount of each drawdown of the Second Facilities in full together with any accrued and unpaid interest in one lump sum on the final repayment date.

Final repayment date:	The date falling 60 months after the date on each of the Previous Loan is drawn down	The date falling 60 months after the date on each of the Second Facilities is drawn down
Early repayment:	The Borrower may repay to the Lenders the whole or any part of the outstanding principal amount of the Previous Loan before the final repayment date. Any amounts repaid by the Borrower before the final repayment date shall not be available for re-borrowing.	The Borrower may repay to the Lenders the whole or any part of the outstanding principal amount of the Second Facilities before the final repayment date. Any amounts repaid by the Borrower before the final repayment date shall not be available for re-borrowing.
Purpose of the loan:	for financing the Borrower's general working capital, including the operating expenses of Smart Ascent Group and research and development expenses related to the Product	for financing the Borrower's general working capital, including the operating expenses of Smart Ascent Group and research and development expenses related to the Product

Funding of the Loan Facilities

First Shareholders' Loan Agreement

Second Shareholders' Loan Agreement

Funding of the loan facilities	The Company Previous Loan Portion was financed by the internal resources of the Company	The Company Second Loan Portion will be financed by the internal resources of the Company
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Information of the Company and the Group

The Company is an investment holding company and the Group is 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 the Borrower and Innovative

The Borrower is a company incorporated in Hong Kong with limited liability and the entire issued share capital of which is owned as to 51% by Innovative Group and 49% by the Group. Smart Ascent Group is principally involved in the development of the Product which is still at its clinical trial stage.

Set out below are the audited financial information of Smart Ascent Group for the years ended 31 March 2021 and 2020.

	Year ended 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	—	—
Net loss (before and after taxation)	10,068	13,130

The net assets of Smart Ascent Group attributable to shareholders of the Borrower as at 31 March 2021 and 2020 were approximately HK\$91,227,000 and HK\$97,102,000 respectively.

Innovative is an investment holding company and its subsidiaries are principally engaged in the trading of beauty products and equipment, and research, development and commercialisation of the Product.

Reasons for the entering into of the First Shareholders' Loan Agreement and the Second Shareholders' Loan Agreement

The Borrower is principally involved in the development of the Product in the PRC, which is still at its clinical trial stage. The provisions of the Previous Loan and the Second Facilities are for the purpose of financing the working capital of the Smart Ascent Group, including its operating expenses and research and development expenses related to the Product as the clinical trial for the Product is ongoing. The Board is of the view that the grant of the Company Previous Loan Portion and the Company Second Loan Portion would enhance the financial resources of Smart Ascent Group and facilitate the progress of the clinical trial and further development of the Product, and the Group expects to enjoy the economic benefits in way of the share of profit of an associated company when the Smart Ascent Group becomes profit making following commercialisation of the Product. The terms of the Shareholders' Loan Agreements were negotiated on an arm's length basis among the parties to the Shareholders' Loan Agreements, including the respective amounts and the interest rates of the Previous Loan and the Second Facilities, which were determined, based on the working capital requirements of Smart Ascent Group and referenced to the then and prevailing prime lending rate charged on loans provided by commercial banks in Hong Kong, respectively.

In view of the above, the Directors consider that the terms of the Shareholders' Loan Agreements are fair and reasonable and the entering into of the Shareholders' Loan Agreements are in the interests of the Company and its shareholders as a whole.

LISTING RULE IMPLICATIONS

At the time of entering into the First Shareholders' Loan Agreement, Innovative was a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules. As the grant of the Previous Loan was in proportion to the Lenders' respective shareholdings in the Borrower, and the entering into of the First Shareholders' Loan Agreement was conducted on normal

commercial terms, the provision of the Company Previous Loan Portion was a fully exempt connected transaction of the Company under Rule 14A.89 of the Listing Rules, and as all the applicable percentage ratios were less than 5%, the transaction contemplated under the First Shareholders' Loan Agreement did not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Since 8 October 2019, Innovative was no longer a connected person of the Company as Innovative had ceased to be a substantial shareholder of the Company. As at the date of entering into the Second Shareholders' Loan Agreement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries,

- (i) each of the Borrower and Innovative does not hold any issued share of the Company;
- (ii) each of Dr. Xie Yi, Mr. Cheng Yong and Dr. Lou Yi, being the executive Director, holds less than 1% of the issued shares of Innovative; and
- (iii) Dr. Mao Yumin, being a director of certain subsidiaries of the Company, is a substantial shareholder of Innovative holding approximately 23.97% of the issued shares of Innovative and he holds approximately 7.94% of the issued shares of the Company.

Save for being a 49% shareholder of the Borrower and as disclosed above, the Borrower and Innovative and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

As the First Shareholders' Loan Agreement remains in full force and effect as at the date of the Second Shareholders' Loan Agreement, and the Company Previous Loan Portion is still outstanding, the granting of the Company Second Loan Portion under the Second Shareholders' Loan Agreement is required to aggregate with the granting of the Company Previous Loan Portion under the First Shareholders' Loan Agreement in accordance with the Rule 14.22 of the Listing Rules. The Stock Exchange has also accepted the Company to use the gross profit ratio as an alternative size test in computing the size tests for the transactions contemplated under the Shareholders' Loan Agreements. Since one of the applicable percentage ratios upon the aggregation of the Shareholders' Loan Agreements is higher than 5% but less than 25%, the granting of the Company Previous Loan Portion and Company Second Loan Portion in aggregate constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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| “Board” | the board of Directors |
| “Borrower” | Smart Ascent Limited, a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is owned as to 51% by Innovative Group and 49% by the Group |

“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)
“Company Previous Loan Portion”	HK\$14.7 million, being the portion contributed by the Group in the Previous Loan under the First Shareholders’ Loan Agreement
“Company Second Loan Portion”	HK\$5.88 million, being the portion to be contributed by the Group in the Second Facilities under the Second Shareholders’ Loan Agreement
“Clear Rich”	Clear Rich International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Innovative
“Director(s)”	the director(s) of the Company
“Extrawell”	Extrawell (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“First Shareholders’ Loan Agreement”	the shareholders’ loan agreement dated 27 July 2018 entered into between the Lenders and the Borrower relating to the granting of the Previous Loan
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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 Group”	Innovative and its subsidiaries
“Lenders”	collectively, Clear Rich and Extrawell
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Previous Loan”	the unsecured loan facilities in the principal amount of HK\$30 million made available by the Lenders to the Borrower under the First Shareholders’ Loan Agreement
“PRC”	the People’s Republic of China

“Product”	an oral insulin product
“Second Facilities”	the unsecured loan facilities of up to a principal amount of HK\$12 million to be made available by the Lenders to the Borrower under the Second Shareholders’ Loan Agreement
“Second Shareholders’ Loan Agreement”	the shareholders’ loan agreement dated 8 March 2022 entered into between the Lenders and the Borrower relating to the granting of the Second Facilities
“Shareholders’ Loan Agreements”	collectively, the First Shareholders’ Loan Agreement and the Second Shareholders’ Loan Agreement
“Smart Ascent Group”	the Borrower and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 8 March 2022

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*