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**EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED**

**精優藥業控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 00858)**

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

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



A letter from the Board is set out on pages 5 to 12 of this circular. A letter from the Independent Board Committee is set out on page 13 of this circular. A letter from Lego containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 26 of this circular.

Notice of the SGM to be held at Forum Room II & III, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Thursday, 17 October 2019 at 11:00 a.m. is set out on pages 36 to 37 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same 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 as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjournment thereof if you so wish.

\* For identification purpose only

16 September 2019

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## 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 Interest”	interest payment for the 2019 Interest Period as contemplated in the Convertible Bonds, being 3.5% per annum on the principal amount of Convertible Bonds, being the amount of HK\$25,025,000
“2020 Interest”	interest payment for the 2020 Interest Period as contemplated in the Convertible Bonds, being 3.5% per annum on the principal amount of Convertible Bonds, being the amount of HK\$25,025,000
“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)
“Additional Interest”	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 2-year extension for payment of interest for 2019 Interest Period and 1-year extension for payment of interest for 2020 Interest Period
“Announcement”	the announcement of the Company dated 26 July 2019 in respect of the Proposed Amendments
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Bondholder”	holder(s) of the Convertible Bonds and in whose name such Convertible Bonds is for the time being registered in the Convertible Bonds register (or, in the case of a joint holding, the first named thereof)

## DEFINITIONS

“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
“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 Proposed Amendments as set forth in the Deed of Amendment
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“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 Instrument”	the instrument by way of deed poll executed by Innovative on 28 July 2014 creating and constituting the Convertible Bonds
“Deed of Amendment”	The deed of amendment dated 26 July 2019 executed by the Company and Innovative in relation to the Proposed Amendments
“Deed of Waiver”	The deed of waiver dated 26 July 2019 executed by the Company and Innovative in respect of certain obligation of Innovative regarding the Deed of Amendment
“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

## DEFINITIONS

“Effective Date”	being the next Business Day on which the last Condition Precedent is fulfilled
“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
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Fang Lin Hu, Mr. Xue Jing Lun and Ms. Jin Song
“Independent Financial Adviser” or “Lego”	Lego Corporate Finance Limited, a licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Proposed Amendments
“Independent Shareholders”	the shareholders of the Company other than those required under the Listing Rules to abstain from voting on the resolution to be proposed at the SGM to approve the Proposed Amendments
“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)
“Latest Practicable Date”	9 September 2019, 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
“Long Stop Date”	27 January 2020 or such other date as the Company and Innovative may agree in writing for fulfillment of the Conditions Precedent
“Original Conditions”	the terms and conditions as stipulated in the Convertible Bonds before the Proposed Amendments
“PRC”	the People’s Republic of China

## DEFINITIONS

“Proposed Amendments”	the proposed amendments of certain terms and conditions of the Convertible Bonds pursuant to the Deed of Amendment
“Purchaser”	Clear Rich International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Innovative
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	a special general meeting to be held and convened to consider and, if thought fit, to approve the Proposed Amendments
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of Shares
“Smart Ascent”	Smart Ascent Limited, a company incorporated in Hong Kong with limited liability, the entire issued capital of which was owned by the Vendor prior to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States
“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:*

Dr. Xie Yi

Dr. Lou Yi

Mr. Cheng Yong

Ms. Wong Sau Kuen

Mr. Liu Kwok Wah

Mr. Lu Zhiqiang

*Independent non-executive Directors*

Mr. Fang Lin Hu

Mr. Xue Jing Lun

Ms. Jin Song

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM11

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

16 September 2019

*To the Shareholders*

Dear Sir or Madam

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

**I. INTRODUCTION**

References are made to the 2014 Announcements in relation to, among others, the Disposal and completion of the issue of the Convertible Bonds and the 2014 Circular.

On 28 July 2014, Innovative issued the Convertible Bonds to the Company. For a summary of the principal terms of Convertible Bonds please refer to the 2014 Circular.

\* *For identification purpose only*

## LETTER FROM THE BOARD

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 circular is despatched to the Shareholders for information purposes only and contains, among others, further details of the Deed of Amendment, the Deed of Waiver and financial and general information of the Group.

### **The Deed of Amendment**

As disclosed in the Announcement, on 26 July 2019 (after trading hours), the Company and Innovative executed the Deed of Amendment pursuant to which the Company and Innovative agreed to amend certain terms and conditions of the Convertible Bonds.

Major terms of the Deed of Amendment are set out below:

Date: 26 July 2019

Parties: (i) the Company (as the Bondholder); and  
(ii) Innovative (as the issuer of the Convertible Bonds)

Proposed Amendments: Please be referred to the section headed “Proposed Amendments” below.

Effective Date: The Proposed Amendments shall be effective on the next Business Day after all of the following Conditions Precedent have fulfilled:

- (i) the Stock Exchange having approved the Deed of Amendment in accordance with Rule 28.05 of the Listing Rules;
- (ii) each of the Company and Innovative having obtained all necessary consents and approvals in respect of the Deed of Amendment and the transactions contemplated thereunder in compliance with the relevant laws and regulations;
- (iii) each of the Company and Innovative (if necessary) having convened a special general meeting at which the necessary resolutions shall have been duly passed by the shareholders of each of the Company and Innovative to approve the Proposed Amendments; and
- (iv) the Company having passed a written resolution of the Bondholder to approve the Deed of Amendment and the transactions contemplated thereunder.

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



## LETTER FROM THE BOARD

### Proposed Amendments

The Deed of Amendment amends and varies certain terms and conditions of the Convertible Bonds. Below is the comparison of differences between the Original Conditions and the Proposed Amendments as contemplated under the Deed of Amendment:

	<b>Original Conditions</b>	<b>Proposed Amendments</b>
<b>Interest payment date</b>	payable annually in arrears.	The interest payment date for the interest during 2019 Interest Period and 2020 Interest Period will both be extended to 28 July 2021
<b>Additional Interest</b>	Nil	Innovative shall pay to the Company Additional Interest in the amount of HK\$11,261,250 on 28 July 2021 (representing 15% per annum on the annual interest multiply by three), being the additional interest for 2-year extension for payment of interest for 2019 Interest Period and 1-year extension for payment of interest for 2020 Interest Period.

Save as the Proposed Amendments, the principal terms of the Convertible Bonds as disclosed in the 2014 Announcements and the 2014 Circular remain unchanged and are still in full force and effect. Please be referred to the 2014 Circular for the principal terms of the Convertible Bonds.

Pursuant to the Deed of Amendment, if any of the Conditions Precedent has not been fulfilled at or before 5:00 pm on the Long Stop Date, the Deed of Amendment shall automatically be terminated and will have no further effect on the Company and Innovative. 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 Proposed Amendments to the Convertible Bonds Instrument.

### The Deed of Waiver

As disclosed in the Announcement, on 26 July 2019 (after trading hours), the Company and Innovative also executed the Deed of Waiver pursuant to which Innovative undertook to perform certain obligations during the validity of the Deed of Amendment and in the event the Deed of Amendment is terminated.

## LETTER FROM THE BOARD

Pursuant to the Deed of Waiver, the Company agreed, during the period from and including the date of the Deed of Amendment to the Effective Date or the date the Deed of Amendment is terminated (whichever is earlier), (i) to grant to Innovative an unconditional waiver in respect of the obligation of Innovative to pay the interest on the Convertible Bonds accrued from 28 July 2018 to 27 July 2019 (“**Upcoming Interest Payment**”) and not to take any steps to enforce or make demand for the Upcoming Interest Payment; (ii) not to exercise any right or remedy that the Bondholder would otherwise be entitled to exercise in respect of the Convertible Bonds as a result of the occurrence of any events of default arising from or in connection with the Upcoming Interest Payment; and (iii) not to take any steps, directly or indirectly, to wind up or appoint a receiver, administrator, administrative receiver or compulsory manager over, or to commence any other insolvency related proceedings (or any analogous proceedings in any other jurisdiction) against, Innovative or any assets of Innovative.

Pursuant to the Deed of Amendment, if any of the Conditions Precedent has not been fulfilled at or before 5:00 pm on the Long Stop Date, the Deed of Amendment will automatically be terminated and will have no further effect on the Company and Innovative. In such circumstances, it is stipulated in the Deed of Waiver that, Innovative shall within 15 Business Days from the Long Stop Date pay to the Company (i) the 2019 Interest in the sum of HK\$25,025,000; and (ii) the additional interest calculated at 15% per annum on HK\$25,025,000 accrued from 28 July 2019 to the actual date of payment (both days inclusive) on the basis of a 365-day year. Accordingly, all the Original Conditions shall remain in full force and effect and Innovative shall pay the interest in accordance with the Original Conditions as prescribed in the Convertible Bonds.

## II. 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.

## III INFORMATION OF INNOVATIVE AND SMART ASCENT

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 commercialisation of the oral insulin product (the “**Product**”).

Smart Ascent is a 51% owned subsidiary of Innovative and the remaining 49% of Smart Ascent is owned by the Group. Smart Ascent and its subsidiaries (the “**Smart Ascent Group**”) are 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

## LETTER FROM THE BOARD

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.

Smart Ascent Group is preparing to commence part B of phase III clinical trial of the Product which is typically considered as the final stage of clinical trial before commercialisation 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 intends to inject additional resources to the Smart Ascent Group to facilitate the development of the Product.

As at the Latest Practicable Date, Innovative holds approximately 19.14% of shareholding of the Company and hence is a connected person of the Company (within the meaning of the Listing Rules).

#### IV. EFFECT OF THE PROPOSED AMENDMENTS

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

##### **Earnings**

##### ***Gain on receipt of Additional Interest***

For the year ended 31 March 2019, the Group received interest income of approximately HK\$25,025,000 from the Convertible Bonds. Pursuant to the Proposed Amendments, no interest will be received from the Convertible Bonds throughout the 2019 Interest Period and the 2020 Interest Period. However, there will be a generation of an additional interest income by the maturity date of the Convertible Bonds, i.e. on 28 July 2021. Innovative has to pay the Additional Interest on 28 July 2021 for the extension of payment date of the 2019 Interest and the 2020 Interest, being the amount HK\$11,261,250, representing increases of (i) 15% per annum on the 2019 Interest multiply by two for the 2-year extension and (ii) 15% per annum on the 2020 Interest for the 1-year extension. Hence, the implied interest rates of the Convertible Bonds after completion of the Proposed Amendments will increase to 4.025% and 4.55% for the 2019 Interest Period and the 2020 Interest Period respectively, whereas the original interest rate is 3.5% for each of the 2019 Interest Period and the 2020 Interest Period. The gain of the Additional Interest as to approximately HK\$7,500,000 for the 2019 Interest Period and approximately HK\$3,800,000 for the 2020 Interest Period, which will be accounted for in each of the years ending 31 March 2020, 2021 and 2022, as to approximately HK\$2,500,000, HK\$6,300,000 and HK\$2,500,000, would increase the total equity of the Company by the financial year 2022. The net cash proceeds of the Additional Interest would improve the overall cash flow of the Group in the financial year 2022.

## LETTER FROM THE BOARD

### Assets and liabilities

As disclosed in the Company's published annual report for the year ended 31 March 2019, the audited total assets and liabilities of the Group were approximately HK\$1,196,086,000 and HK\$134,515,000 respectively as at 31 March 2019, and the audited total current assets and current liabilities were HK\$208,642,000 and HK\$79,738,000 respectively as at 31 March 2019. As at the Latest Practicable Date, the Group's current assets and current liabilities are expected to be HK\$192,000,000 and HK\$70,000,000 respectively, arriving at net current assets of approximately HK\$122,000,000. It is expected that the Proposed Amendments will have no immediate material impact on the liquidity of the Group for the financial years of 2020 and 2021.

### V. REASONS FOR AND BENEFITS OF THE PROPOSED AMENDMENTS

The Directors are of the view that the Proposed Amendments do not constitute a material variation to the terms of the Convertible Bonds. 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. The Company has been approached by Innovative for the extension to pay the 2019 Interest and the 2020 Interest ("**Extension**") and the Additional Interest has been arrived at after arm's length negotiation between the Company and Innovative. The Directors have considered 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. The Directors also noticed that the Additional Interest shall exceed the interest income from placing bank deposits. Therefore, the Directors consider the return from the Additional Interest in the Proposed Amendments will bring benefit and generate more income to the Company.

Having considered the above, the Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the Proposed Amendments are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### VI. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Deed of Amendment is more than 25%, the transaction contemplated under the Deed of Amendment constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date and to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Innovative is a substantial shareholder of the Company who holds approximately 19.14% of the shareholding of the Company and is hence a connected person of the Company within the meaning of the Listing Rules. As such, the Proposed Amendments contemplated under the Deed of Amendment constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

## **LETTER FROM THE BOARD**

The Proposed Amendments are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

In view of the foregoing, the Company will convene a SGM to seek the approval of the Independent Shareholders on the Proposed Amendments. The Company has established the Independent Board Committee to advise the Independent Shareholders in connection with the Proposed Amendments and to advise the Independent Shareholders on how to vote, taking into account the recommendations of Independent Financial Adviser.

### **VII. SGM**

The Company will convene the SGM at which an ordinary resolution will be proposed to approve the Proposed Amendments. In accordance with the Listing Rules, the votes at the SGM shall be taken by poll.

Set out on pages 36 to 37 to this circular is the notice convening the SGM to be held at Forum Room II & III, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Thursday, 17 October 2019 at 11:00 a.m. at which an ordinary resolution will be proposed at the SGM to approve the Proposed Amendments.

#### **Abstain from voting**

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Innovative is a substantial shareholder of the Company who holds approximately 19.14% of the shareholding of the Company and is hence a connected person of the Company within the meaning of the Listing Rules. Thus, Innovative and its associates shall be required to abstain from voting on the resolution proposed to be passed at the relevant SGM to approve the Proposed Amendments.

### **VIII. RECOMMENDATION**

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the Proposed Amendments are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote. Your attention is drawn to the advice of the Independent Board Committee set out in its letter on page 13 of this circular. Your attention is also drawn to the letter of advice from Lego to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Amendments set out on pages 14 to 26 of this circular.

The Independent Board Committee, having taken into account the advice of Lego, considers that although it is not in the ordinary and usual course of the business of the Company, the Proposed Amendments and the transaction contemplated thereby are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the ordinary resolution to approve the Proposed Amendments and the transaction contemplated thereby at the SGM.

### IX. ACTION TO BE TAKEN

A form of proxy for use at the SGM is enclosed in this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same 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, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

### X. FURTHER INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee with its recommendation to the Independent Shareholders with regard to the Proposed Amendments; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Amendments; (iii) the financial information of the Group set out in Appendix I; and (iv) the additional information set out in Appendix II to this circular.

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



**EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED**

**精優藥業控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 00858)**

16 September 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION CONCERNING  
THE PROPOSED AMENDMENTS TO  
THE TERMS AND CONDITIONS OF  
THE CONVERTIBLE BONDS ISSUED BY  
INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED**

We refer to the circular issued by the Company to the Shareholders and dated 16 September 2019 (“**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board to consider the Proposed Amendments, in our opinion, they are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Lego Corporate Finance Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from Lego Corporate Finance Limited as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Lego Corporate Finance Limited as set out in its letter of advice, we consider that the Proposed Amendments, and the transactions contemplated thereby although are not in the ordinary and usual course of the business of the Company, they are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Proposed Amendments and the transactions contemplated thereby.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Mr. Fang Lin Hu    Mr. Xue Jing Lun    Ms. Jin Song**

*Independent non-executive Directors*

\* *For identification purpose only*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of the letter of advice from Lego Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, in respect of the terms of the Deed of Amendment, the Proposed Amendments and the transactions contemplated thereunder which have been prepared for the purpose of inclusion in this circular.*



16 September 2019

*To the Independent Board Committee and the Independent Shareholders of  
Extrawell Pharmaceutical Holdings Limited*

Dear Sirs or Madams,

### **MAJOR AND CONNECTED TRANSACTION CONCERNING THE PROPOSED AMENDMENTS TO THE TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS ISSUED BY INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Amendments and the Deed of Amendment and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 16 September 2019 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 26 July 2019, the Company and Innovative entered into the Deed of Amendment pursuant to which the Company and Innovative have conditionally agreed to amend certain terms and conditions of the Convertible Bonds, including the extension of the interest payment date and the payment by Innovative to the Company an Additional Interest on the extension of payment of interest.

As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Deed of Amendment is more than 25%, it constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. With reference to the Letter from the Board, Innovative is a substantial shareholder of the Company who holds approximately 19.14% of the shareholding of the Company and is hence a connected person of the Company within the meaning of the Listing Rules. As such, the Proposed Amendments contemplated under the Deed of Amendment constitutes



## **LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

a connected transaction for the Company under Chapter 14A of the Listing Rules. The Deed of Amendment, the Proposed Amendments and the transactions contemplated thereunder are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. Given that Innovative is a connected person of the Company, Innovative and its associates are therefore required to abstain from voting on the resolution proposed to be passed at the relevant SGM for approving the Deed of Amendment, the Proposed Amendments and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Fang Lin Hu, Mr. Xue Jing Lun and Ms. Jin Song, has been established to advise the Independent Shareholders as to whether the terms of the Deed of Amendment, the Proposed Amendments and the transactions contemplated thereunder are fair and reasonable so far as the Company and Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution to be proposed at the SGM to approve the Deed of Amendment, the Proposed Amendments and the transactions contemplated thereunder. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego. In the last two years, there was no engagement between the Group and Lego. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the Deed of Amendment, the Proposed Amendments and the transactions contemplated thereunder.

### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by the management of the Company; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the SGM and all such statements of belief, opinions and intentions of the management of the Company and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company, and/or the advisers of the Company. We have also sought and received confirmation from the management of the Company that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

information or representations provided to us by the management of the Company are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the SGM.

We consider that we have reviewed the sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the management of the Company, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or Innovative or any of their respective subsidiaries and associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Proposed Amendments, we have considered the following principal factors and reasons:

#### 1. Information on the Group

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

The following table summarises the audited consolidated financial information of the Company for the years ended 31 March 2018 and 2019 as extracted from the annual report of the Company for the year ended 31 March 2019 (the “**2019 Annual Report**”).

	<b>Year ended 31 March</b>	
	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	85,762	89,218
— <i>Manufacturing of pharmaceutical products</i>	60,176	75,821
— <i>Trading of pharmaceutical products</i>	25,586	13,397
Gross profit	42,049	49,600
Other income	90,514	10,214
Other gains and losses, net	(37,522)	78,863
Profit for the year	29,272	63,324
Total comprehensive (expense)/income for the year	41,228	(2,604)

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
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	<b>As at 31 March</b>	
	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	1,216,783	1,196,086
Net assets	1,067,079	1,061,571
Cash and bank balances	161,765	148,902

As illustrated in the table above, revenue of the Group increased by approximately 4.0% from HK\$85.8 million for the year ended 31 March 2018 to approximately HK\$89.2 million for the year ended 31 March 2019. The increase in revenue was mainly attributable to the Group's manufactured pharmaceutical sector which recorded a revenue growth of approximately 26.0% from HK\$60.2 million for the year ended 31 March 2018 to approximately HK\$75.8 million for the year ended 31 March 2019. According to the 2019 Annual Report, the revenue growth in this sector was resulted from the continued execution of strategic initiatives by adjusting distribution channels, expanding market coverage through collaboration with distributors and outsourcing service providers with extensive distribution network to promote product awareness in rural areas and communities, which enabled the segment to strengthen its competitive position, enlarge market share and capture new growth opportunities. On the other hand, revenue generated from the trading of pharmaceutical products decreased from approximately HK\$25.6 million for the year ended 31 March 2018 to approximately HK\$13.4 million for the year ended 31 March 2019, mainly due to the intensified competition from competing products produced by Chinese manufacturers and the temporary suspension of sales for the Group's skin treatment product. In line with the overall increase in revenue, gross profit of the Group increased from approximately HK\$42.0 million to approximately HK\$49.6 million, representing an increase of approximately 18.0%.

Profit of the Group was significantly affected by its other income and gains and losses, net, which increased from approximately HK\$53.0 million for the year ended 31 March 2018 to approximately HK\$89.1 million for the year ended 31 March 2019. The increase was primarily attributable to (i) an increase in a net gain of about HK\$13.3 million arising from the fair value change of the Group's investments in convertible bonds and (ii) no impairment provision made for unrealised loss related to investments in unlisted funds as compared to about HK\$21 million recorded in last year, whereas its fair value loss of about HK\$59.0 million arisen in the year was recognised in other reserve other than profit or loss, upon adopting new accounting standard for financial instruments that is effective for the Group's current accounting period. Due to the above, the Group recorded total comprehensive expense of approximately HK\$2.6 million for the year ended 31 March 2019.

As at 31 March 2019, the Group recorded total assets and net assets of approximately HK\$1,196.1 million and HK\$1,061.6 million, respectively, among which cash and bank balances amounted to approximately HK\$148.9 million.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Looking forward, the Group considers that the operating environment will be very challenging as the pharmaceutical industry has been undergoing a radical change in its regulatory landscape. However, the Group remains optimistic that the industry will maintain a stable growth driven by mounting demands of accelerated aging population, growing chronic diseases and improving standard of living in China. In addition, as the Group has been placing more focus on reinforcing the fundamentals for development of the Group's manufacturing segment which has demonstrated positive progress in these recent years, the Group believes that the loss-making situation of its imported pharmaceuticals trading segment in the near term would not have material adverse impact on the financial position of the Group, which remains sound.

### 2. Information on Innovative

According to the Letter from the Board, Innovative is an investment holding company and its subsidiaries are principally engaged in the trading of beauty products and equipment, securities investment and research, development and commercialisation of the oral insulin product. As at the Latest Practicable Date, Innovative holds approximately 19.14% of shareholding of the Company and hence is a connected person of the Company.

Set out below are the audited consolidated financial information of Innovative for the years ended 31 March 2018 and 2019 as extracted from the annual report of Innovative for the year ended 31 March 2019 (the "2019 Innovative Annual Report").

	<b>Year ended 31 March</b>	
	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	15,811	18,589
Gross profit	1,395	1,747
Loss for the year	(230,991)	(260,911)
	<b>As at 31 March</b>	
	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	1,714,163	1,578,754
Net assets	1,066,825	794,812
Bank balances and cash	20,227	17,058

As illustrated in the table above, revenue of Innovative increased from HK\$15.8 million for the year ended 31 March 2018 to approximately HK\$18.6 million for the year ended 31 March 2019. According to the 2019 Innovative Annual Report, the increase in revenue was mainly attributable to the increase in business of the trading of beauty equipment and products segment during the year. However, due to the significant finance cost of approximately

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

HK\$131.7 million, impairment loss on interest in an associate, being the Company, of approximately HK\$33.2 million and decrease in fair value of the investments in convertible bonds issued by the Company of approximately HK\$56.5 million, Innovative recorded loss of approximately HK\$260.9 million for the year ended 31 March 2019. On the other hand, total assets of Innovative primarily comprised of its intangible assets related to the in-process research and development project involving an oral insulin product (the “**Product**”), which amounted to approximately HK\$1,373.2 million as at 31 March 2018 and 2019. The patents of an invention “a method of production of oil-phase preparation of oral insulin (一種製備口服胰島素油相製劑的方法)” in relation to the Product are registered under the joint names of Fosse Bio-Engineering Development Limited, a subsidiary of Smart Ascent, and Tsinghua University, Beijing granted by State Intellectual Property Office of the PRC and United States Patent and Trademark Office of the United States of America granted on 4 August 2004 and 28 March 2006 respectively and will be expired on 20 April 2021 and 12 April 2022 respectively.

As at 31 March 2019, Innovative has relatively thin cash position of approximately HK\$17.1 million. With reference to the announcement of Innovative dated 26 July 2019 (the “**Innovative Disposal Announcement**”), Innovative proposed to dispose approximately 19.14% of shareholding of the Company as well as the convertible bonds issued by the Company for a total consideration of HK\$270.0 million to Dr. Mao Yumin, the honorary chairman and a substantial shareholder of Innovative (the “**Innovative Disposal**”). Innovative intends to utilise the net proceeds from the Innovative Disposal as to, among others, approximately HK\$25 million to support the on-going development of part B of phase III clinical trial on the Product for commercialisation.

### 3. Information on Smart Ascent

Smart Ascent and its subsidiaries (the “**Smart Ascent Group**”) are principally involved in the development of the Product, which is still at its clinical trial stage. On 28 July 2014, the Group completed the disposal of 51% equity interest in Smart Ascent and received consideration comprising (i) cash payment of HK\$65,000,000; and (ii) the Convertible Bonds. As at the Latest Practicable Date, Smart Ascent is a 51% owned subsidiary of Innovative and the remaining 49% of Smart Ascent is owned by the Group.

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 million in total, contributed as to 51% by Innovative and as to 49% by the Group. Smart Ascent had drawn down HK\$10 million and HK\$20 million of the loan in September 2018 and August 2019, respectively.

As confirmed by the Directors, the Smart Ascent Group is preparing to commence part B of phase III clinical trial of the Product which is typically considered as the final stage of clinical trial before commercialisation. To the best of the knowledge, information and belief of the Directors, Innovative has been allocating its internal resources to finance the development

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of the Product and intends to inject additional resources to the Smart Ascent Group to facilitate the development of the Product. The timeline for commercialisation of the Product is expected to be in around early 2022.

#### **4. Reasons for and benefits of the Proposed Amendments**

According to the Letter from the Board, the Directors are of the view that the Proposed Amendments do not constitute a material variation to the terms of the Convertible Bonds. 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. The Company has been approached by Innovative for the extension to pay the 2019 Interest and the 2020 Interest (“**Extension**”) and the Additional Interest has been arrived at after arm’s length negotiation between the Company and Innovative. 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 Additional Interest shall exceed the interest income from placing bank deposits. Therefore, the Directors consider the return from the Additional Interest in the Proposed Amendments will bring benefit and generate more income to the Company.

With reference to the paragraph headed “Information on the Group” above, the Group had cash and bank balances of approximately HK\$148.9 million as at 31 March 2019. Based on the 2019 Annual Report, the Group did not have any bank borrowings but only banking facilities on trade finance, which were supported by the pledge of the Group’s fixed deposits of about HK\$21.0 million and corporate guarantees. For our due diligence purpose, we have obtained and reviewed the forecast on working capital requirements of the Group for the four years ending 31 March 2023 and noted that the current cash position of the Group is able to support the ordinary business operations of the Group and the Extension will not have a material adverse impact on the cash position of the Group or affect the business operations of the Group. As further confirmed by the Directors, save for the continuing operation of the existing business of the Group, currently the Group does not plan to acquire or invest in other material investment. On the other hand, the Group’s bank balances and pledged bank deposits carried variable interest rates of 0.001% to 3.25% per annum and 1.3% to 2.7% per annum for the year ended 31 March 2019, respectively. Hence, the interest rate of the Convertible Bonds after completion of the Proposed Amendments will become 4.025% and 4.55%, being the initial interest rate of 3.5% plus 15% per annum on the annual interest of the Convertible Bonds for the 2019 Interest and the 2020 Interest respectively, is higher than the existing interest rates of the Group’s bank balances and pledged bank deposits and represents an additional income of approximately HK\$3.8 million on the 2020 Interest and approximately HK\$7.5 million on the 2019 Interest to the Group and will be accounted for in each of the years ending 31 March 2020, 2021 and 2022, as to approximately HK\$2.5 million, HK\$6.3 million and HK\$2.5 million, respectively.

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As disclosed in the paragraphs headed “Information on Innovative” and “Information on Smart Ascent” above, while it is expected that additional financial resources made available to the Smart Ascent Group would facilitate commercialisation of the Product by around early 2022, the financial performance of Innovative was unsatisfactory and its cash position was relatively thin. As the Innovative Disposal is subject to, among others, approval of the independent shareholders of Innovative, the Innovative Disposal may or may not materialise. According to the Innovative Disposal Announcement, save for the Innovative Disposal, Innovative has been actively exploring fund raising opportunities through capital market as well as other cash out opportunities yet encountered difficulty to raise funds through the abovementioned fundraising options. Accordingly, having considered (i) the Extension is generally in line with the expected time required for the Product to commence commercialisation; (ii) the Extension will facilitate the investment of Innovative in Smart Ascent and the Group would also enjoy the economic benefits as share of profit of an associate when the Smart Ascent Group becomes profit making following commercialisation of the Product; (iii) the business operation of the Group will not be materially adversely affected by the Extension; and (iv) the Additional Interest will provide additional income to the Group, we concur with the Directors that the Proposed Amendments are in the interests of the Company and the Shareholders as a whole.

### **5. The Deed of Amendment**

On 26 July 2019, the Company and Innovative executed the Deed of Amendment to amend certain terms and conditions of the Convertible Bonds. Major terms of the Deed of Amendment are set out below:

Date: 26 July 2019

Parties: (i) the Company (as the Bondholder); and  
(ii) Innovative (as the issuer of the Convertible Bonds)

Effective Date: The Proposed Amendments shall be effective on the next Business Day after all of the Conditions Precedent have been fulfilled.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Proposed Amendments*

The Deed of Amendment amends and varies certain terms and conditions of the Convertible Bonds. Below is the comparison of differences between the Original Conditions and the Proposed Amendments as contemplated under the Deed of Amendment:

	<b>Original Conditions</b>	<b>Proposed Amendments</b>
Interest payment date	Payable annually in arrears	The interest payment date for the interest during 2019 Interest Period and 2020 Interest Period will both be extended to 28 July 2021
Additional Interest	Nil	Innovative shall pay to the Company Additional Interest in the amount of HK\$11,261,250 on 28 July 2021 (representing 15% per annum on the annual interest multiply by three), being the additional interest for 2-year extension for payment of interest for 2019 Interest Period and 1-year extension for payment of interest for 2020 Interest Period.

Save as the Proposed Amendments, the principal terms of the Convertible Bonds as disclosed in the 2014 Announcements and the 2014 Circular remain unchanged and are still in full force and effect.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *The Deed of Waiver*

The Company and Innovative also executed the Deed of Waiver pursuant to which Innovative undertook to perform certain obligations during the validity of the Deed of Amendment and in the event the Deed of Amendment is terminated.

Pursuant to the Deed of Waiver, the Company agreed, during the period from and including the date of the Deed of Amendment to the Effective Date or the date the Deed of Amendment is terminated (whichever is earlier), (i) to grant to Innovative an unconditional waiver in respect of the obligation of Innovative to pay the interest on the Convertible Bonds accrued from 28 July 2018 to 27 July 2019 (the “**Upcoming Interest Payment**”) and not to take any steps to enforce or make demand for the Upcoming Interest Payment; (ii) not to exercise any right or remedy that the Bondholder would otherwise be entitled to exercise in respect of the Convertible Bonds as a result of the occurrence of any events of default arising from or in connection with the Upcoming Interest Payment; and (iii) not to take any steps, directly or indirectly, to wind up or appoint a receiver, administrator, administrative receiver or compulsory manager over, or to commence any other insolvency related proceedings (or any analogous proceedings in any other jurisdiction) against, Innovative or any assets of Innovative.

Pursuant to the Deed of Amendment, if any of the Conditions Precedent has not been fulfilled at or before 5:00 pm on the Long Stop Date, the Deed of Amendment shall automatically be terminated and will have no further effect on the Company and Innovative. 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 Proposed Amendments to the Convertible Bonds Instrument.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 6. Comparable Analysis

As part of our analysis, we have searched for relevant convertible bonds/notes issued by companies listed on the Stock Exchange (the “**Comparables**”) as announced during the two months period prior to and including 26 July 2019, being the date of the Deed of Amendment, and identified an exhaustive list of 19 Comparables as far as we are aware of. We consider that the two-month period adopted is appropriate to reflect the recent market practice in relation to the issue of convertible bonds/notes under similar market condition and sentiment. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables. Set out below is the summary of the Comparables:

Date of initial announcement	Company name	Stock code	Principal amount (‘000)	Interest rate per annum (%)	Interest Maturity payment (years)
19 July 2019	China Ocean Industry Group Limited	651	HK\$110,000	10.0	3 annual
11 July 2019	Echo International Holdings Group Limited	8218	HK\$9,408	7.0	5 month
10 July 2019	Ko Yo Chemical (Group) Limited	827	HK\$987,000	5.0	5 annual
9 July 2019	Lamtex Holdings Ltd.	1041	HK\$80,879	3.0	3 no information
1 July 2019	Value Convergence Holdings Limited	821	HK\$99,000	nil	3 not applicable
25 June 2019	Asia Energy Logistics Group Limited	351	HK\$60,000	2.5	3 semi-annual
25 June 2019	Luye Pharma Group Ltd.	2186	US\$300,000	1.5	5 no information
17 June 2019	Eminence Enterprise Limited	616	HK\$70,000	3.0	5 semi-annual
16 June 2019	Sunshine Oilsands Ltd.	2012	US\$9,868	8.0	2 semi-annual
16 June 2019	Ming Lam Holdings Limited	1106	HK\$297,770	12.0	1 annual
14 June 2019	Momentum Financial Holdings Limited	1152	HK\$35,000	3.0	3 no information
13 June 2019	Oriental University City Holdings (H.K.) Limited	8067	HK\$200,380	2.48	10 no information
11 June 2019	IBO Technology Company Limited	2708	HK\$31,140	7.5	3 at maturity
4 June 2019	Kirin Group Holdings Limited	8109	HK\$171,000	2.0	3 no information
4 June 2019	Huscoke Holdings Limited	704	HK\$98,800	5.0	3 at maturity
3 June 2019	S. Culture International Holdings Limited	1255	HK\$200,000	6.0	3 semi-annual
29 May 2019	Hong Kong Resources Holdings Company Limited	2882	HK\$121,950	4.0	3 annual
29 May 2019	Yuhua Energy Holdings Limited	2728	HK\$110,953	10.0	1 semi-annual
29 May 2019	Regent Pacific Group Limited	575	US\$17,500	4.0	3 no information
			<b>Maximum</b>	12.0	
			<b>Minimum</b>	nil	
			<b>Average</b>	5.05	
	The Convertible Bonds ( <i>Note</i> )			4.025 and 4.55	2 at maturity

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

*Note:* The maturity of the Convertible Bonds represents the remaining term to maturity of approximately two years from the date of the Deed of Amendment and the interest rates of 4.025% and 4.55% represent the implied interest rates of the Convertible Bonds after taken into account the Additional Interest as calculated by the initial interest rate of 3.5% plus the Additional Interest of 15% per annum on the annual interest of the Convertible Bonds for the 2019 Interest and the 2020 Interest.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table above, the Comparables carry annual interest rate of nil to 12.0% and with an average of approximately 5.05%. The implied interest rates of the Convertible Bonds following the Proposed Amendments hence fall within the range and generally in line with the average of the Comparables. The interest payment date of the 2019 Interest and the 2020 Interest were extended to the maturity date of the Convertible Bonds under the Proposed Amendments. Although most of the Comparables pay the interests attached therein on annual or semi-annual basis, we noted that it is not uncommon for the interests to be paid when the convertible bonds/notes matured. Accordingly, we consider the Additional Interest and the Extension to be justifiable.

In view of the above and taking into account the reasons for and benefits of the Proposed Amendments as described above, we are of the view that the terms of the Deed of Amendment, the Proposed Amendments and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **7. Financial effects of the Proposed Amendments**

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

#### *Earnings*

For the year ended 31 March 2019, the Group received interest income of approximately HK\$25.0 million from the Convertible Bonds. Pursuant to the Proposed Amendments, no interest will be received from the Convertible Bonds throughout the 2019 Interest Period and the 2020 Interest Period. Accordingly, it is expected that earnings of the Group will be reduced by the interest income of the Convertible Bonds for the years ending 31 March 2020 and 2021. However, there will be a generation of an additional interest income by the maturity date of the Convertible Bonds, i.e. on 28 July 2021. Innovative has to pay the Additional Interest on 28 July 2021 for the extension of payment date of the 2019 Interest and the 2020 Interest, being the amount HK\$11,261,250, representing increases of 15% per annum on the 2019 Interest multiply by two for the 2-year extension and 15% per annum on the 2020 Interest for the 1-year extension. Hence, the implied interest rates of the Convertible Bonds after completion of the Proposed Amendments will increase to 4.025% and 4.55% for the 2019 Interest Period and the 2020 Interest Period respectively, whereas the original interest rate is 3.5% for each of the 2019 Interest Period and the 2020 Interest Period. The gain of the Additional Interest as to approximately HK\$7,500,000 for the 2019 Interest Period and approximately HK\$3,800,000 for the 2020 Interest Period, which will be accounted for in each of the years ending 31 March 2020, 2021 and 2022, as to approximately HK\$2,500,000, HK\$6,300,000 and HK\$2,500,000, would increase the earnings and the total equity of the Company for the year ending 31 March 2022. The net cash proceeds of the Additional Interest would also improve the overall cash flow of the Group for the year ending 31 March 2022.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Assets and liabilities*

As disclosed in the 2019 Annual Report, the audited total assets and liabilities of the Group were approximately HK\$1,196,086,000 and HK\$134,515,000 respectively as at 31 March 2019, and the audited total current assets and current liabilities were HK\$208,642,000 and HK\$79,738,000 respectively as at 31 March 2019. As at the Latest Practicable Date, the Group's current assets and current liabilities are expected to be HK\$192,000,000 and HK\$70,000,000 respectively, arriving at net current assets of approximately HK\$122,000,000. It is expected that the Proposed Amendments will have no immediate material impact on the liquidity of the Group for the year ending 31 March 2020.

### RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that the Deed of Amendment, the Proposed Amendments and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Deed of Amendment, the Proposed Amendments and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Stanley Ng**  
*Managing Director*

*Mr. Stanley Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 15 years of experience in the accounting and investment banking industries.*

## 1. FINANCIAL INFORMATION OF THE GROUP

The accountants' reports, together with the audited financial information of the Group for the three years ended 31 March 2017, 2018 and 2019 have been disclosed in the annual reports of the Company for each of the three years ended 31 March 2017, 2018 and 2019 respectively. The aforementioned annual reports 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 2017 (pages 53 to 171):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0726/ltn20170726259.pdf>  
[http://www.extrawell.com.hk/catalog/pdf/AnnualLTN20170726259\\_E.pdf](http://www.extrawell.com.hk/catalog/pdf/AnnualLTN20170726259_E.pdf)

- (B) 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)

- (C) 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)

## 2. INDEBTEDNESS

### **Borrowings and other indebtedness**

As at the close of business on 31 July 2019, 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 July 2019, 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\$21,000,000 and corporate guarantees from the Company and certain subsidiaries of the Company.

### **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 July 2019, the outstanding principal amount of the 2013 Convertible Bonds was HK\$577,170,000.

As at 31 July 2019, 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 as at the Latest Practicable Date, none of the banking facilities had been utilised.

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 31 July 2019, 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 July 2019 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 present requirements in the next 12 months from the date of publication of this circular in the absence of unforeseen material circumstances.

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

The Group is principally engaged in the businesses of the development, manufacture and sales of pharmaceutical products in PRC, the marketing and distribution of imported pharmaceutical products to customers in 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 PRC i.e. the trading segment and manufacturing segment are further described below. The gene development is not active and has not contributed to the revenue of the Group.

Since China's implementation of the Thirteenth Five-Year Plan (2016–2020), and after three years' efforts in adapting to a new normal in economic development, China has been reshaping the regulatory landscape and intensifying the structural reform to the pharmaceutical industry. During the Group's financial year 2019, China's institutional reshuffle reforms in sweeping overhaul of various government bodies through merging and restructuring were implemented with the aim of aligning the nation's policy goals by enhancing efficiency of market controls, facilitating greater surveillance and promoting accessibility and affordability of quality pharmaceuticals and national health services in pursuit of a 'Healthy China' by year 2030. In the midst of constantly changing regulatory environment, China's pharmaceutical industry has maintained a steady growth while experiencing waves of challenges brought by the healthcare reforms and the restructured regulatory framework but improved market accessibility for self-developed innovative pharmaceuticals, which create both challenges and opportunities to pharmaceutical players.

The ever-increasingly competitive landscape has impacted significantly the performance of the Group's trading segment of imported pharmaceuticals due to intensified competition from competing products produced by Chinese manufacturers, and increasing regulatory scrutiny on imported pharmaceuticals by the Chinese authorities, which resulted in temporary sales suspension of the Group's imported pharmaceutical product used for skin treatment, a major revenue contributor to the segment, in the financial year 2019. The Group is working with its business partners with the aim of resolving those issues raised by the Chinese authorities in the long term so as to bring the imported product back to the market as soon as practicable. The Group believes that the weakening performance of the trading segment would not cause material adverse impact to the Group, as the Group has been exerting continuous efforts in improving the performance of the manufacturing segment which has exhibited signs of improvement in recent years.

In light of the tremendous challenges over China's pharmaceutical market in which the Group operates, the Group believes that development of the Group's own quality products and enhancement of the Group's core competitiveness by advancing its production technology remain crucial to create a favorable momentum of long term development and growth for the Group. In these recent years, the Group has been placing more focus on enhancing the production efficiency and strengthening cost savings measures to reinforce the fundamentals for development of the Group's manufacturing segment, which has demonstrated positive progress, generating positive cash flow from its operating activities in the financial years 2018 and 2019. As a long term development strategy of the Group, the Group will endeavor to allocate internal resources to enhance the manufacturing capability of its GMP plants in Changchun, PRC to develop quality products to capture market demand, which in turn will improve the Group's performance and strengthen its foundation for sustainable development.

In addition, as a 49% minority shareholder of Smart Ascent Limited and its subsidiaries ("**Smart Ascent Group**"), the major asset of which is the intangible asset in relation to an in-process research and development project involving an oral insulin product, which is at its clinical trial stage, 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 and 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 given the constantly increasing diabetic population in PRC and thereby growing market demand for quality diabetic pharmaceuticals.

The Group considers that it has maintained a sound financial position to cope with the future challenges, which supports cautious optimism about its future prospect given the enormous pharmaceutical market in PRC driven by large and aging population, growing per capita income, and the Chinese government's long term commitment to build up a 'Healthy China' by year 2030 that embrace business and development opportunities. The Group will continue to stay focused in improving its business performance and at the same time stay alert for business opportunities which may diversify its revenue stream.

## 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	Approximate percentage of the issued share capital of the Company
Mr. Cheng Yong	The Company	Directly beneficially owned	830,000	0.03%
		Through a controlled corporation ( <i>Note</i> )	1,060,000	0.05%
		Held by spouse	5,090,000	0.21%

*Note:* The Shares are held by Merchandise Holdings Limited (a company incorporated in the British Virgin Islands) which is 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) Save as disclosed in this circular, 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 2019 being the date to which the latest published audited financial statements of the Group were made up.
- (d) Save as disclosed in this circular, 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 person (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	Number of Shares held/ entitled	Capacity	Approximate percentage of the issued share capital of the Company
Innovative Pharmaceutical Biotech Limited (formerly known as United Gene High-Tech Group Limited)	1,357,510,000	Directly beneficially owned ( <i>Note</i> )	56.80%

*Note:* Innovative Pharmaceutical Biotech Limited (“**Innovative**”) is a listed company on the Main Board of the Stock Exchange and its interest in 1,357,510,000 shares of the Company represents (i) 457,510,000 shares or 19.14% of the Company’s shares in issue and (ii) 900,000,000 conversion shares to be allotted and issued to Innovative upon exercise in full by Innovative of the conversion rights 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. At

the Latest Practicable Date, there was a total of 2,390,000,000 shares issued by the Company, and assuming the exercise in full of the conversion rights attaching to the Company's convertible bonds, Innovative will hold approximately 41.26% of the enlarged share capital of the Company.

- (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 2019, 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 shareholders' loan agreement dated 27 July 2018 entered into among the Vendor, the Purchaser and Smart Ascent in respect of a shareholders' loan to Smart Ascent in the total amount of HK\$30,000,000;
- (b) the Deed of Amendment; and
- (c) the Deed of Waiver.

## 8. EXPERT AND CONSENT

- (a) The following is the qualification of the expert who has given opinion and/or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Lego	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

- (b) Lego does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Lego has given and has not withdrawn its written consent to the issue of this circular, with copies of its letter and/or reports and the references to its name included in the forms and contexts in which they are respectively included.
- (d) Lego did not have any direct or indirect interest in any asset 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 2019, being the date to which the latest published audited financial statements of the Group were made up.

**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 Deed of Amendment;
- (b) the Deed of Waiver;
- (c) the memorandum and bye-laws of the Company;
- (d) the letter from the Independent Board committee, the text of which is set out on page 13 of this circular;
- (e) the letter from Lego, the text of which is set out on pages 14 to 26 of this circular;
- (f) the material contracts referred to in the section headed “Material Contracts” of this appendix;
- (g) the letter of consent referred to in this section headed “Expert and Consent” in this appendix;
- (h) the annual report of the Company for the financial year ended 31 March 2017;
- (i) the annual report of the Company for the financial year ended 31 March 2018;
- (j) the annual report of the Company for the financial year ended 31 March 2019;
- (k) the 2014 Circular; and
- (l) this circular.

**10. GENERAL**

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street Hamilton HM11, 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.

- (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 & III, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Thursday, 17 October 2019 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:**

1. (a) the following proposed amendments on certain terms and conditions of the convertible bonds (“**Convertible Bonds**”) in the aggregate principal amount of HK\$715,000,000 due in 2021 issued by Innovative Pharmaceutical Biotech Limited (“**Innovative**”) to Extrawell Pharmaceutical Holdings Limited (the “**Company**”) on 28 July 2014 pursuant to the deed of amendment dated 26 July 2019 executed by the Company and Innovative be and are hereby approved:
  - (i) Payment of interest for the interest period during 28 July 2018 to 27 July 2019 and 28 July 2019 to 27 July 2020 both be extended to 28 July 2021 (the “**Extension**”); and
  - (ii) Innovative shall pay to the Company (as a bondholder of the Convertible Bonds) a sum of additional interest in the amount of HK\$11,261,250 on 28 July 2021 being the additional interest for the Extension. ((a)(i) and (ii) collectively referred to as “**Proposed Amendments**”); and

\* *For identification purpose only*

## NOTICE OF SGM

- (b) the directors of the Company (the “**Directors**”) are hereby authorised to do all such acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivering all agreements, documents and instruments) which are in their opinion, necessary, appropriate, desirable or expedient to implement or give effect to the Proposed Amendments and the transaction contemplated thereby.”

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

Hong Kong, 16 September 2019

*Registered Office:*  
Clarendon House  
2 Church Street  
Hamilton HM11  
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 authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised, 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 14 October 2019 to 17 October 2019 (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 11 October 2019.
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. 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, Dr. Lou Yi, Mr. Cheng Yong, Ms. Wong Sau Kuen, Mr. Liu Kwok Wah and Mr. Lu Zhiqiang; the independent non-executive Directors are Mr. Fang Lin Hu, Mr. Xue Jing Lun and Ms. Jin Song.*