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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 PROPOSED AMENDMENTS TO THE TERMS AND CONDITIONS OF HK\$715,000,000 CONVERTIBLE BONDS DUE 2021 ISSUED BY INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED

THE DEED OF AMENDMENT

The Board announces that on 26 July 2019 (after trading hours), the Company and Innovative entered into the Deed of Amendment whereby the Company and Innovative have conditionally agreed to, among other matters, amend certain terms and conditions of the Convertible Bonds in the manner therein provided. In summary, the Proposed Amendments include (i) the extension of the interest payment date and (ii) the payment by Innovative to the Company as Bondholder an Additional Interest on the extension of payment of interest.

The taking effect of the Proposed Amendments will be subject to the fulfilment of the Conditions Precedent. Save for the Proposed Amendments, all other terms of the Convertible Bonds remain unchanged.

THE DEED OF WAIVER

On 26 July 2019 (after trading hours), the Company and Innovative also entered into the Deed of Waiver whereby the Company granted to Innovative a waiver in respect of obligation of Innovative to pay the 2019 Interest when due to the extent necessary and solely to effect the Proposed Amendments.

The Deed of Waiver also stipulated that if any of the Conditions Precedent has not been fulfilled by the Long Stop Date, the Deed of Amendment shall automatically terminate on such date and Innovative shall forthwith pay to the Company within 15 Business Days from the Long Stop Date the accrued interest for 2019 Interest in the amount of HK\$25,025,000 and the additional interest on such amounts accrued from 28 July 2019 and up to the actual payment date at the rate of 15% per annum on HK\$25,025,000.

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%, it constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement 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.

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

A circular containing the details of the Proposed Amendments and the Deed of Amendment will be dispatched to the Shareholders as soon as practicable on or before 31 August 2019, in accordance with the requirements set out in 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(s) proposed to be passed at the relevant SGM for approving the Proposed Amendments.

WARNING NOTICE

As the Proposed Amendments are subject to the fulfillment of a number of conditions precedent and may or may not proceed, shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

BACKGROUND

Reference is made to the 2014 Announcements jointly made by the Company and Innovative in relation to, among others, the disposal by the Group of 51% shareholding interest in Smart Ascent Limited to Innovative and completion of the issue of the Convertible Bonds. Unless otherwise defined herein, capitalized terms used herein shall have the same meanings as those defined in the 2014 Announcements.

On 28 July 2014, Innovative issued the Convertible Bonds to the Company. As at the date of this announcement, the Convertible Bonds in the principal amount of HK\$715,000,000 remain outstanding and are held by the Company as Bondholder.

THE DEED OF AMENDMENT

On 26 July 2019 (after trading hours), the Company and Innovative executed the Deed of Amendment pursuant to which the parties hereto 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 (after trading hours)
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 Conditions Precedent have been fulfilled.

PROPOSED AMENDMENTS

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

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

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

CONDITIONS PRECEDENT

The Proposed Amendments shall become effective upon fulfilment of the following Conditions Precedent:

- (A) Stock Exchange having approved the Deed of Amendment in accordance with Rule 28.05 of the Listing Rules;
- (B) each of the Company and Innovative having obtained all necessary consents and approvals in respect of the Deed of Amendment and the transaction contemplated thereunder in compliance with the relevant laws and regulations;
- (C) 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
- (D) the Company having passed a written resolution of the Bondholder to approve the Deed of Amendment and the transactions contemplated thereunder.

THE DEED OF WAIVER

On 26 July 2019 (after trading hours), the Company and Innovative also entered into the Deed of Waiver whereby the Company granted to Innovative a waiver in respect of obligation of Innovative to pay the 2019 Interest when due to the extent necessary and solely to effect the Proposed Amendments.

It is also stipulated in the Deed of Waiver that if any of the Conditions Precedent has not been fulfilled at or before 5 pm on the Long Stop Date, the Deed of Amendment shall automatically terminate and will have no further effect on the Company and Innovative, and in such event, Innovative shall pay to the Company within 15 Business Days from the Long Stop Date (i) the interest for the 2019 Interest Period in the sum of HK\$25,025,000; and (ii) the additional interest on the amount accrued from 28 July 2019 and up to the actual payment date at the rate of 15% per annum on HK\$25,025,000.

REASONS AND BENEFITS OF THE PROPOSED AMENDMENTS

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 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 resulting from the Extension shall exceed the interest income from placing bank deposits. Therefore, the Directors are of the view that 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 are of the view that the Proposed Amendments and the granting of the waiver to Innovative in respect of its obligation to pay the 2019 Interest when due to the extent necessary and solely to effect 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.

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 date of this announcement 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.

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

A circular containing the details of the Proposed Amendments and the Deed of Amendment will be dispatched to the Shareholders as soon as practicable on or before 31 August 2019, in accordance with the requirements set out in the Listing Rules.

Given that Innovative is a connected person of the Company (within the meaning of the Listing Rules), Innovative and its associates are therefore required to abstain from voting on the resolution(s) proposed to be passed at the relevant SGM for approving the Proposed Amendments.

INFORMATION OF INNOVATIVE

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

As at the date of this announcement, 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).

INFORMATION OF THE GROUP

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

WARNING NOTICE

Shareholders and potential investors should note that the Deed of Amendment is conditional upon fulfilment of all conditions precedent therein. The transactions contemplated under the Deed of Amendment may or may not be materialized. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

“2014 Announcements”	the joint announcements of the Company and Innovative dated 18 March 2014 and 28 July 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
“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 2019 Interest multiply by two plus 15% per annum on the 2020 Interest), being the additional interest for 2-year extension for the payment of interest for 2019 Interest Period and 1 year extension for payment of interest for the 2020 Interest Period
“Board”	the Board of directors of the Company
“Bondholder”	the existing holder of the Convertible Bonds, being the Company
“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 license 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
“Convertible Bonds”	the convertible bonds in the 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 Announcements
“Deed of Amendment”	The deed of amendments dated 26 July 2019 executed by the Company and Innovative in relation to the Proposed Amendments
“Directors”	the director(s) of the Company
“Group”	the company and its subsidiaries
“Independent Shareholders”	the shareholders of the Company other than those required under Listing Rules to abstain from voting on the resolution(s) 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)
“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
“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
“Shareholders”	registered holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 26 July 2019

As at the date of this announcement, 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, and the independent non-executive directors are Mr. Fang Lin Hu, Mr. Xue Jing Lun and Ms. Jin Song.

* *For identification purpose only*