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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)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

The board of directors (the “**Board**”) of Extrawell Pharmaceutical Holdings Limited (the “**Company**”) presents the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2024 together with the comparative figures as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2024 (Unaudited) HK\$'000	At 31 March 2024 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Investment properties		2,350	2,417
Property, plant and equipment		117,099	116,197
Right-of-use assets		9,136	9,843
Intangible assets		1,807	1,807
Financial asset at fair value through profit or loss	3	—	660,564
Financial assets at fair value through other comprehensive income		—	—
Interest in an associate		313,567	314,241
Loan to an associate		20,651	4,609
Deferred tax assets		69	69
		<u>464,679</u>	<u>1,109,747</u>
<b>Current assets</b>			
Inventories		2,607	7,265
Trade and bills receivables	4	7,381	4,215
Deposits, prepayments and other receivables		2,743	2,946
Amount due from an associate		34,459	34,459
Loan to an associate		—	13,430
Financial assets at fair value through profit or loss	3	773,593	661
Pledged bank deposits		19,880	20,856
Cash and bank balances		94,107	93,610
		<u>934,770</u>	<u>177,442</u>
<b>Total assets</b>		<u>1,399,449</u>	<u>1,287,189</u>

		At 30 September 2024 (Unaudited) <i>HK\$'000</i>	At 31 March 2024 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Equity</b>			
Share capital		23,900	23,900
Reserves		<u>1,192,576</u>	<u>1,089,225</u>
Equity attributable to owners of the Company		1,216,476	1,113,125
Non-controlling interests		<u>45</u>	<u>(514)</u>
<b>Total equity</b>		<u>1,216,521</u>	<u>1,112,611</u>
<b>Non-current liabilities</b>			
Convertible bonds		127,642	117,124
Lease liabilities		1,112	1,911
Deferred income on government grants		<u>4,205</u>	<u>4,171</u>
		<u>132,959</u>	<u>123,206</u>
<b>Current liabilities</b>			
Trade and bills payables	5	4,939	4,657
Accruals, other payables and contract liabilities		24,064	27,122
Lease liabilities		1,429	1,375
Deferred income on government grants		118	116
Tax payable		<u>19,419</u>	<u>18,102</u>
		<u>49,969</u>	<u>51,372</u>
<b>Total equity and liabilities</b>		<u>1,399,449</u>	<u>1,287,189</u>
<b>Net current assets</b>		<u>884,801</u>	<u>126,070</u>
<b>Total assets less current liabilities</b>		<u>1,349,480</u>	<u>1,235,817</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2024</b>	<b>2023</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	6	<b>30,792</b>	30,141
Cost of sales		<u><b>(18,980)</b></u>	<u>(15,250)</u>
Gross profit		<b>11,812</b>	14,891
Other income	7	<b>3,032</b>	3,137
Other gains and losses, net	8	<b>113,637</b>	(226,081)
Selling and distribution expenses		<b>(4,374)</b>	(6,684)
Administrative expenses		<b>(10,429)</b>	(11,490)
Share of results of an associate		<b>(674)</b>	(552)
Finance costs		<u><b>(10,628)</b></u>	<u>(9,016)</u>
Profit/(loss) before income tax	9	<b>102,376</b>	(235,795)
Income tax expense	10	<u><b>(917)</b></u>	<u>(1,118)</u>
Profit/(loss) for the period		<b>101,459</b>	(236,913)
<b>Other comprehensive income/(expense)</b>			
Item that may be reclassified subsequently to profit or loss			
— Exchange differences arising on translation of foreign operations		<u><b>2,451</b></u>	<u>(3,661)</u>
Other comprehensive income/(expense) for the period		<u><b>2,451</b></u>	<u>(3,661)</u>
<b>Total comprehensive income/(expense) for the period</b>		<u><u><b>103,910</b></u></u>	<u><u>(240,574)</u></u>

		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2024</b>	<b>2023</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit/(loss) for the period attributable to</b>			
Owners of the Company		<b>100,934</b>	(237,725)
Non-controlling interests		<u><b>525</b></u>	<u>812</u>
		<u><b>101,459</b></u>	<u>(236,913)</u>
<b>Total comprehensive income/(expense) for</b>			
<b>the period attributable to</b>			
Owners of the Company		<b>103,351</b>	(241,199)
Non-controlling interests		<u><b>559</b></u>	<u>625</u>
		<u><b>103,910</b></u>	<u>(240,574)</u>
		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2024</b>	<b>2023</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK cents</b>	<b>HK cents</b>
<b>Earnings/(loss) per share for profit/(loss) attributable to</b>			
<b>owners of the Company</b>			
— Basic	<i>12</i>	<u><b>4.22</b></u>	<u>(9.95)</u>
— Diluted		<u><b>3.39</b></u>	<u>(9.95)</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Suites 2206–08, 22nd Floor, Devon House, Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong.

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2024 (the “**Interim Financial Information**”) was approved for issue by the Board on 29 November 2024.

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

The Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Interim Financial Information should be read in conjunction with the Group’s audited financial statements for the year ended 31 March 2024 (the “**2024 Audited Financial Statements**”) as prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”). Other than changes as described below, the accounting policies adopted and methods of computation used in the Interim Financial Information are consistent with the 2024 Audited Financial Statements.

In the six months ended 30 September 2024, the Group applied the following new HKFRSs and amendments to HKFRSs issued by the HKICPA for the first time which are mandatorily effective for the annual periods beginning on or after 1 April 2024 for the preparation of the Interim Financial Information. The Group considered that the application of these new or revised HKFRSs has no significant impact on the Group’s results and financial position.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020 and 2022)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The Group has not early applied any new HKFRSs and amendments to HKFRSs that have been issued but are not yet effective for its current accounting period.

### 3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2024 (Unaudited) HK\$'000	At 31 March 2024 (Audited) HK\$'000
<b>Included in non-current assets:</b>		
Investments in convertible bonds ( <i>note a</i> )	—	660,564
<b>Included in current assets:</b>		
Investments in convertible bonds ( <i>note a</i> )	771,793	—
Short-term investments ( <i>note b</i> )	1,800	661
	<u>773,593</u>	<u>661</u>

#### (a) Investments in convertible bonds

The Group's investments in convertible bonds were issued by Innovative Pharmaceutical Biotech Limited (“**Innovative Pharm**”) on 28 July 2014 with principal amount of HK\$715,000,000 and interest bearing at 3.5% per annum, with an original maturity date on the 7th anniversary of the date of issue i.e. 28 July 2021 (the “**Innovative Pharm Bonds**”). The Group has the right to convert the Innovative Pharm Bonds into shares of Innovative Pharm up to the maturity date at an initial conversion price of HK\$2.5 per share. Deeds of amendments were entered into between the Company as the bondholder and Innovative Pharm as the issuer of the Innovative Pharm Bonds respectively on 26 July 2019 (“**First Amendment Deed**”), 12 May 2021 (“**Second Amendment Deed**”) and 28 April 2023 (“**Third Amendment Deed**”) to amend certain terms and conditions of the Innovative Pharm Bonds.

Pursuant to the First Amendment Deed which was effective on 28 October 2019, the then outstanding annual interests of the Innovative Pharm Bonds together with an additional interest charged for the extension of interest payment dates, were to be paid on 28 July 2021, details of which were set out in the Company's announcements dated 26 July and 28 October of 2019 and the Company's circular dated 16 September 2019.

Pursuant to the Second Amendment Deed which was effective on 16 August 2021, in addition to the extension of certain payments of interests and with an additional interest, the maturity date of the Innovative Pharm Bonds was extended for another two years to 28 July 2023, details of which were set out in the Company's announcements dated 12 May, 30 July and 16 August of 2021 and the Company's circular dated 14 July 2021.

The Third Amendment Deed entered into between the Company and Innovative Pharm on 28 April 2023 was completed on 12 July 2023. The amendments mainly included: (i) a further two-year extension of the maturity date of the Innovative Pharm Bonds from 28 July 2023 to 28 July 2025; (ii) the annual interest at 4.5% for the two-year extension period from 28 July 2023 to 28 July 2025; and (iii) the additional interest at 15% per annum on the total outstanding interests up to 28 July 2025, details of which were set out in the Company's announcements dated 28 April, 28 June, 29 June and 12 July of 2023 and the Company's circular dated 12 June 2023. Any outstanding principal amount of the Innovative Pharm Bonds shall be redeemed and the interests shall be paid, on the extended maturity date i.e. 28 July 2025.

The fair values of the Innovative Pharm Bonds at the date of initial recognition on 12 July 2023 upon completion of the Third Amendment Deed and at end of the reporting periods on 30 September 2023 and 2024, and 31 March 2024 are determined based on the valuations conducted by an independent qualified valuer and are calculated using the Binomial Model.

The movements of the fair value of investments in convertible bonds are as follows:

**For the six months ended 30 September 2023**

	<i>HK\$'000</i>
At 31 March 2023 and 1 April 2023 (Audited)	793,530
Change in fair value recognised in profit or loss — unrealised (Unaudited)	<u>(290,826)</u>
Fair value on initial recognition at 12 July 2023 (Unaudited)	502,704
Change in fair value recognised in profit or loss — unrealised (Unaudited)	<u>64,907</u>
At 30 September 2023 (Unaudited)	<u><u>567,611</u></u>

**For the six months ended 30 September 2024**

	<i>HK\$'000</i>
At 31 March 2024 and 1 April 2024 (Audited)	<b>660,564</b>
Change in fair value recognised in profit or loss — unrealised (Unaudited)	<u><b>111,229</b></u>
At 30 September 2024 (Unaudited)	<u><u><b>771,793</b></u></u>

**(b) Short term investments**

The amount represents bank structured products denominated in Renminbi which are short term highly liquid investments placed in two state-owned financial institutions in the People's Republic of China (the "PRC" or "China"), and are readily convertible to cash. These investments are all denominated in Renminbi with non-determinable return rate.

#### 4. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly based on credit, except for new customers, where payment in advance is normally required. The customers are generally given a credit period for 120 to 180 days, extending up to one year for some major customers.

The aging analysis of trade and bills receivables (net of provision of impairment loss), presented based on invoice dates is as follows:

	At 30 September 2024 (Unaudited) <i>HK\$'000</i>	At 31 March 2024 (Audited) <i>HK\$'000</i>
Within 90 days	3,804	1,794
91 to 180 days	2,938	1,524
181 to 365 days	<u>639</u>	<u>897</u>
	<u><u>7,381</u></u>	<u><u>4,215</u></u>

#### 5. TRADE AND BILLS PAYABLES

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group from major suppliers range from two to three months from the date of invoice.

The aging analysis of trade and bills payables based on invoice dates is as follows:

	At 30 September 2024 (Unaudited) <i>HK\$'000</i>	At 31 March 2024 (Audited) <i>HK\$'000</i>
Within 90 days	2,479	2,511
91 to 180 days	999	907
181 to 365 days	312	163
1 to 2 years	661	598
Over 2 years	<u>488</u>	<u>478</u>
	<u><u>4,939</u></u>	<u><u>4,657</u></u>



## 6. REVENUE AND SEGMENT INFORMATION

The Group's revenue comprises the following:

	For the six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Manufacturing of pharmaceutical products	30,772	30,135
Trading of pharmaceutical products	<u>20</u>	<u>6</u>
	<u><u>30,792</u></u>	<u><u>30,141</u></u>

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's operating segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summarised details of the reportable and operating segments are as follows:

- (a) the manufacturing segment engages in the development, manufacture and sales of pharmaceutical products ("**Manufacturing**");
- (b) the trading segment engages in the marketing and distribution of imported pharmaceutical products ("**Trading**");  
and
- (c) the gene development segment engages in the commercial exploitation and development of genome-related technology ("**Gene Development**").

## Segment revenue and results

The following is the Group's revenue and results from operation by reportable and operating segment:

	For the six months ended 30 September (Unaudited)							
	Manufacturing		Trading		Development		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue								
Sales to external customers	<u>30,772</u>	<u>30,135</u>	<u>20</u>	<u>6</u>	<u>—</u>	<u>—</u>	<u>30,792</u>	<u>30,141</u>
Segment results	<u>3,440</u>	<u>3,506</u>	<u>(1,138)</u>	<u>(1,890)</u>	<u>(44)</u>	<u>(39)</u>	<u>2,258</u>	<u>1,577</u>
Unallocated other income							<u>3,032</u>	<u>3,137</u>
Unallocated other gains and losses, net							<u>113,370</u>	<u>(225,988)</u>
Unallocated administrative expenses							<u>(5,092)</u>	<u>(5,113)</u>
Interest expense on convertible bonds							<u>(10,518)</u>	<u>(8,856)</u>
Share of results of an associate							<u>(674)</u>	<u>(552)</u>
Profit/(loss) before income tax							<u>102,376</u>	<u>(235,795)</u>
Income tax expense							<u>(917)</u>	<u>(1,118)</u>
Profit/(loss) for the period							<u>101,459</u>	<u>(236,913)</u>

## 7. OTHER INCOME

	For the six months ended	
	30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	<u>2,283</u>	<u>2,359</u>
Rental income	<u>206</u>	<u>208</u>
Government grants	<u>59</u>	<u>59</u>
Loan interest income from an associate	<u>484</u>	<u>511</u>
	<u>3,032</u>	<u>3,137</u>

## 8. OTHER GAINS AND LOSSES, NET

For the six months ended  
30 September  
2024 2023  
(Unaudited) (Unaudited)  
HK\$'000 HK\$'000

Change in fair value on financial asset at fair value through profit or loss (“FVTPL”) — investments in convertible bonds (unrealised)	111,229	(225,919)
Change in fair value on financial asset at FVTPL — short term investments (unrealised)	13	16
Reversal of/(provision for) impairment loss on loan to an associate	2,128	(69)
Reversal of/(provision for) impairment loss on trade receivables, net	642	(110)
Reversal of/(provision for) impairment loss on other receivables	<u>(375)</u>	<u>1</u>
	<u>113,637</u>	<u>(226,081)</u>

## 9. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging/(crediting):

For the six months ended  
30 September  
2024 2023  
(Unaudited) (Unaudited)  
HK\$'000 HK\$'000

Depreciation of right-of-use assets	861	898
Depreciation of investment properties	67	66
Depreciation of property, plant and equipment	3,158	3,554
Cost of inventories recognised as expenses ( <i>note</i> )	6,790	5,938
Allowance for obsolete inventories, net	381	24
Staff costs (including directors' emoluments):		
— Salaries and allowances	9,809	8,977
— Retirement benefit scheme contributions	<u>1,127</u>	<u>1,183</u>

*Note:* The amount represents the cost of materials that used to produce the goods, excluding the direct labour costs and the manufacturing overheads.

## 10. INCOME TAX EXPENSE

**For the six months ended**  
**30 September**  
**2024**                      2023  
**(Unaudited)**              (Unaudited)  
**HK\$'000**                      **HK\$'000**

Current tax:

    Hong Kong

    PRC Enterprise Income Tax

—                      —  
917                      1,118

Income tax expense

917                      1,118

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of assessable profits of a qualifying corporation will be taxed at 8.25% (six months ended 30 September 2023: 8.25%), and assessable profits above HK\$2 million will continue to be taxed at 16.5% (six months ended 30 September 2023: 16.5%). Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime for the periods ended 30 September 2024 and 2023. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (six months ended 30 September 2023: 16.5%).

Under the Law of the PRC on Enterprise Income Tax (the “EIT”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 September 2023: 25%).

## 11. INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2024 (six months ended 30 September 2023: nil).

## 12. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share for the six months ended 30 September 2024 and 2023 attributable to owners of the Company is based on the following data:

**For the six months ended**  
**30 September**  
**2024**                      2023  
**(Unaudited)**              (Unaudited)  
**HK\$'000**                      **HK\$'000**

### Earnings/(loss)

Earnings/(loss) for the purpose of basic earnings/(loss) per share:

— Earnings/(loss) for the period attributable to owners of the Company

**100,934**                      (237,725)

Effect of potential ordinary shares:

— Interest on convertible bonds

10,518                      —

111,452                      (237,725)

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
	<b>'000</b>	'000
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic earnings/(loss) per share:		
— Weighted average number of ordinary shares	<b>2,390,000</b>	2,390,000
Effect of potential ordinary shares:		
— Convertible bonds	<u><b>900,000</b></u>	<u>—</u>
	<u><b>3,290,000</b></u>	<u>2,390,000</u>

### 13. RELATED PARTY DISCLOSURES

Save as the transactions and balances detailed elsewhere in the Interim Financial Information, the Group has entered into the following transactions with related parties during the six months ended 30 September 2024:

#### (a) Transactions with related parties

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Consultancy fee expense paid to Dr. Mao Yumin, a shareholder of the Company	<b>306</b>	306
Loan interest income receivable from loan to an associate	<u><b>484</b></u>	<u>511</u>

#### (b) Compensation for key management personnel, including amounts paid to the Company's directors

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Salaries, fees and other benefits	<b>2,200</b>	1,943
Retirement benefit scheme contributions	<u><b>9</b></u>	<u>9</u>
	<u><b>2,209</b></u>	<u>1,952</u>

#### 14. EVENT AFTER THE REPORTING PERIOD

On 30 July 2024, the Company and Innovative Pharm (together with its subsidiaries “**Innovative Pharm Group**”), through their respective wholly-owned subsidiaries as lenders (the “**Lenders**”) and Smart Ascent Limited (“**Smart Ascent**”) as borrower (the “**Borrower**”) entered into the following agreements:

- (a) a loan extension agreement supplemental to the shareholders’ loan agreement dated 27 July 2018 of principal amount totaling HK\$30 million, contributed as to 49% i.e. HK\$14.7 million by the Group and 51% i.e. HK\$15.3 million by Innovative Pharm Group, pursuant to which the Lenders conditionally agreed to extend the repayment dates of the loans granted to the Borrower under the shareholders’ loan agreement, for a period of 36 months; and
- (b) a shareholders’ loan agreement pursuant to which the Lenders conditionally agreed to grant a loan facility of up to a principal amount of HK\$20 million to the Borrower, to be contributed as to 49% i.e. HK\$9.8 million by the Group and as to 51% i.e. HK\$10.2 million by Innovative Pharm Group, for a term of 60 months commencing from the drawdown date.

The transactions contemplated under these agreements constitute a major transaction for the Company under the Listing Rules and are conditional on, amongst others, the approval from the Company’s shareholders in a special general meeting.

Subsequent to the end of the reporting period, on 15 October 2024, a special general meeting was held and the above agreements were approved by the Company’s shareholders. Please refer to the Company’s announcements dated 30 July 2024 and 15 October 2024 and the Company’s circular dated 27 September 2024 for further details.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### *Overall Performance*

During the six months ended 30 September 2024 (“**2024 Interim Period**”), global economic trends continued to stabilise with cooling inflation but geopolitical complexity combined with heightened trade tensions have continued to shape global economy and increase uncertainty. Despite a complicated external environment, China’s economy has posted generally stable performance backed by strong policies and reforms for a sustainable economic recovery and recorded growth at 4.8% year-on-year in the first three quarters of 2024. While China’s pharmaceutical industry is experiencing transformations, national policies and supportive measures are consistently issued to foster the healthy growth of the industry. In the context of deepening reforms of the medical and health system, series of measures including the expansion of centralised procurement of drugs and constant regulatory changes have posed continuous challenges to pharmaceutical enterprises.

During the 2024 Interim Period, the Group’s revenue, which was mainly contributed by the manufacturing segment operating in China, was about HK\$30.8 million, representing an increase of about HK\$0.7 million when compared to revenue of about HK\$30.1 million reported in the six months ended 30 September 2023 (“**2023 Interim Period**”). During the 2024 Interim Period, the gross profit decreased by about HK\$3.1 million to about HK\$11.8 million primarily due to a decline in gross margin which was resulted from multiple factors, including the increase in cost of materials, the lower quantities of products that were produced under management’s plan to facilitate inventory management and the sales mix.

The Group’s administrative, selling and distribution expenses in aggregate were about HK\$14.8 million in the 2024 Interim Period, representing a decrease by about HK\$3.4 million or 18.5% when compared to about HK\$18.2 million in the 2023 Interim Period. Such decrease was mainly the result of reduction in marketing and promotion expenses of about HK\$2.3 million while the decrease in overall administrative expenses of about HK\$1.1 million was contributed by the decreases in general administration costs from streamlining the Group’s operations and legal and professional fee, and an increase in foreign exchange gains.

The Group recorded a profit after tax of about HK\$101.5 million in the 2024 Interim Period, as compared to a loss after tax of about HK\$236.9 million in the 2023 Interim Period. Such turnaround from loss to profit was mainly due to the non-cash item related to the gain arising from the fair value change of the financial asset at fair value through profit or loss (i.e. the Group’s investments in convertible bonds) of about HK\$111.2 million as compared to a loss from the fair value change of the same item of about HK\$225.9 million in the 2023 Interim Period.

## ***Revenue and Operating Results***

### ***Manufactured Pharmaceutical Sector***

While China's medical and health system is undergoing structural transformation with continuous deepening of reforms and constant regulatory changes, the operating environment for the Group's manufacturing segment is increasingly challenging.

During the 2024 Interim Period, the Group's manufacturing segment has continued to contribute profits to the Group. Segment revenue increased by about HK\$0.6 million to about HK\$30.8 million while the gross profit decreased by about HK\$3.1 million to about HK\$11.8 million in the 2024 Interim Period. Such decrease in gross profit was primarily due to the increase in cost of sales as a result of mild increase in cost of materials and fixed overheads while lower quantities of products were produced as management took an approach to maintain a minimum level of inventory based on anticipated demand among customers. Despite pressure on gross margin, there was a decrease of the selling and distribution costs resulting from the management's continuing efforts in sales budgeting and cost control.

Segment profit was maintained at about HK\$3.4 million as the impact of the decline in gross profit was largely offset by the decrease in marketing and promotion expenses of about HK\$2.3 million and the decrease in maintenance expenses for workplaces while the reversal of impairment provision on trade receivables outweighed the impairment provision on other receivables in the 2024 Interim Period.

To address the challenges emerged from the evolving market environment, the Group will further strengthen its internal management and enhance production and sales efficiencies to increase competitiveness in the market, in order to drive profit growth and sustain its long-term development.

### ***Imported Pharmaceutical Sector***

China's pharmaceutical market continues to witness stable growth, and the Group believes that the unmet medical needs provide both opportunities and challenges for businesses.

During the 2024 Interim Period, small revenue of about HK\$20,000 related to pilot sales of a new product was generated, representing an increase of about HK\$14,000 as compared to about HK\$6,000 in the 2023 Interim Period.

Segment loss reduced to about HK\$1.1 million in the 2024 Interim Period from about HK\$1.9 million in the 2023 Interim Period as the Group continues to make effort in streamlining the operation and controlling operating costs and expenses so as to minimise the segment loss while working with its business partners to develop new product lines in an effort to achieve market acceptance. Though the progress is not satisfactory, the Group will continue to monitor the market trends and grasp any potential business opportunities for the long-term development of the Group.



## *Gene Development Sector*

During the 2024 Interim Period, gene development remained inactive and no revenue was recorded (2023 Interim Period: nil).

### ***Interest in an Associate***

The Group holds 49% equity interest in Smart Ascent. The major asset of Smart Ascent and its subsidiaries (the “**Smart Ascent Group**”) is an intangible asset relating to a research and development project involving an oral insulin product (the “**Product**”) which is in its clinical trial stage (“**In-process R&D**”).

As at 30 September 2024, the Group’s interest in an associate of about HK\$313.6 million (31 March 2024: HK\$314.2 million), accounted for about 22.4% (31 March 2024: 24.4%) of the Group’s total assets.

The Group’s share of loss from the associate for the 2024 Interim Period was about HK\$0.7 million (2023 Interim Period: HK\$0.6 million), representing an increase of about HK\$0.1 million. Such increase was mainly attributable to the increase in research and development expenses of the Product. No dividend has been declared or received from Smart Ascent during the 2024 and 2023 Interim Periods.

As stated in the Company’s 2024 annual report, the Covid-19 pandemic since early 2020 had disrupted the normal operations of participating hospitals for the clinical trial of the Product, that the clinical trial in the process of selection and enrolment of patients was temporarily suspended pending improvement in the pandemic situation, for the safety of patients and clinical researchers. As the pandemic situation in China had gradually improved, during the third quarter of 2020, the enrolment of patients had commenced, and while the pandemic situation in China was largely under control, the preventive and control measures associated with the prolonged pandemic situation had continuously implemented causing certain delay in patient selection and enrolment. Furthermore, the sporadic outbreaks of Covid-19 variant in China, particularly the emergence of the highly transmissible Omicron variant in early 2022, had driven the nation to vigilantly stick to its toughest Covid-19 measures, and caused regional and citywide lockdowns in many parts of China, restricting patient flows and impacting on clinical research activities. As such, the patient selection and enrolment process experienced further delay. Following the pandemic control measures in China had been substantially lifted from early 2023, the prolonged pandemic disruption was minimised, however, the clinical research activities were still impacted by the effect of supply-chain interruptions that it had taken longer time than expected for manufacturing the new batch of drug samples for clinical trial as planned. As the drug samples for clinical trial have been produced, the patient selection and enrolment process is ongoing.

In light of the aforesaid, and based on the current information available to the Company, Smart Ascent Group has under the current circumstance, reassessed the timeline for commercialisation of the Product which is currently expected to be in around the first quarter of 2026.

To enhance the financial resources of Smart Ascent Group and facilitate the progress of the clinical trial for the Product, Innovative Pharm Group and the Group, as lenders, and Smart Ascent, as borrower, entered into (i) the supplemental agreement dated 30 July 2024 (the “**Loan Extension Agreement**”) supplemental to the shareholders’ loan agreement dated 27 July 2018 in relation to the extension of repayment dates of the loans granted under the shareholders’ loan agreement dated 27 July 2018 for a period of 36 months; and (ii) the shareholders’ loan agreement dated 30 July 2024 in relation to the granting of a loan facility of up to a principal amount of HK\$20 million to be contributed as to 51% by Innovative Pharm Group and 49% by the Group in proportion to their respective shareholdings in Smart Ascent (the “**Shareholders’ Loan Agreement**”). As disclosed in the Company’s announcement dated 30 July 2024 and the circular dated 27 September 2024, the entering into the Loan Extension Agreement and the Shareholders’ Loan Agreement constitutes a major transaction of the Company pursuant to Rule 14.22 of the Listing Rules and is subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules. The major transaction was approved by the Company’s shareholders at its special general meeting held on 15 October 2024. Further details are set out in the Company’s announcements dated 30 July 2024 and 15 October 2024, and the Company’s circular dated 27 September 2024.

The directors of the Company have performed impairment assessment on the carrying value of the interest in the associate at the end of each reporting period. As at 30 September 2024, having considered the progress of the In-process R&D, the prevailing market conditions and reasonableness of assumptions used for the cash flow projections for the purpose of impairment assessment, the Group does not identify any indication on the carrying amount of interest in the associate as at 30 September 2024 that may need to be impaired. Accordingly, no impairment is considered necessary as at 30 September 2024.

#### ***Financial Asset at Fair Value through Profit or Loss — Investments in Convertible Bonds***

The Company held the Innovative Pharm Bonds of approximately HK\$771.8 million as at 30 September 2024, represented approximately 55.1% of the Group’s total assets (31 March 2024: HK\$660.6 million, approximately 51.3% of the Group’s total assets). The fair value change of the Innovative Pharm Bonds recorded an unrealised gain of about HK\$111.2 million in the 2024 Interim Period as compared to an unrealised loss of about HK\$225.9 million (after completion of the Third Amendment Deed for a further two-year extension of the maturity date from 28 July 2023 to 28 July 2025) in the 2023 Interim Period.

Innovative Pharm is an investment holding company, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 399), and its subsidiaries are principally engaged in the trading of beauty products and equipment, and research, development and commercialisation of the oral insulin product.

### ***Other Income and Other Gains and Losses, Net***

Other income and other gains and losses, net in the 2024 Interim Period were in total a net gain of about HK\$116.7 million, as compared to a net loss of about HK\$222.9 million in the 2023 Interim Period, which was mainly the result of the unrealised gain of about HK\$111.2 million arising from the change in fair value of the financial asset at fair value through profit or loss i.e. the investments in convertible bonds in the 2024 Interim Period while the fair value change of the same item resulted in an unrealised loss of about HK\$225.9 million in the 2023 Interim Period, and there were reversal of impairment provision on loan receivables of about HK\$2.1 million and reversal of impairment provision on trade receivables of about HK\$0.6 million partly offset by impairment provision on other receivables of about HK\$0.4 million in the 2024 Interim Period. Apart from the above, the other items in other income and other gains and losses in the 2024 Interim Period were in line with those of the 2023 Interim Period.

### ***Selling and Distribution Expenses***

Selling and distribution expenses decreased by about HK\$2.3 million or 34.6% from about HK\$6.7 million in the 2023 Interim Period to about HK\$4.4 million in the 2024 Interim Period. Such decrease was mainly due to decrease in marketing and promotion expenses with the management's relentless efforts in controlling costs and intensified efforts in strengthening efficiency to capture sales.

### ***Administrative Expenses***

Administrative expenses decreased by about HK\$1.1 million or 9.2% from about HK\$11.5 million in the 2023 Interim Period to about HK\$10.4 million in the 2024 Interim Period. Such decrease was mainly due to decreases in general administration costs from streamlining the Group's operations and legal and professional fee coupled with an increase in foreign exchange gains.

### ***Seasonal or Cyclical Factors***

The Group's business operations were not significantly affected by any seasonal and cyclical factors, except the long holidays due to statutory bridge holidays in the PRC that may lead to lower Group's revenue and profit for the months in which these holidays are declared. There is no seasonal and cyclical factor for its borrowing requirements.

## **Financial Review**

### ***Liquidity and Financial Resources***

The Group's funding and treasury policies and objectives are consistent with those as of 31 March 2024.

The Group generally finances its operations with internally generated cash flow and facilities granted by its principal banker in Hong Kong, Industrial and Commercial Bank of China (Asia) Limited. As at 30 September 2024, the Group had total cash and bank balances of about HK\$94.1 million (31 March 2024: HK\$93.6 million), excluding pledged bank deposits of about HK\$19.9 million (31 March 2024: HK\$20.9 million).

The Group did not have bank borrowings as at 30 September 2024 (31 March 2024: nil) but had banking facilities on trade finance of about HK\$18.0 million (31 March 2024: HK\$18.0 million), which were supported by the pledge of the Group's fixed deposits of about HK\$19.9 million (31 March 2024: HK\$20.9 million) and corporate guarantees from the Company and certain subsidiaries of the Company. There is no significant seasonality fluctuation on trade finance requirement of the Group. As at 30 September 2024, none of these banking facilities have been utilised (31 March 2024: nil).

The Group's total borrowing over total assets ratio as at 30 September 2024 was 0.09 (31 March 2024: 0.09), calculated based on the Group's total assets of about HK\$1,399.4 million (31 March 2024: HK\$1,287.2 million) and total debts of about HK\$130.2 million (31 March 2024: HK\$120.4 million), comprising convertible bonds of about HK\$127.6 million (31 March 2024: HK\$117.1 million) and lease liabilities of about HK\$2.6 million (31 March 2024: HK\$3.3 million).

The Company's 20-year zero coupon convertible bonds were issued in Hong Kong dollars on 16 July 2013 with principal amount in aggregate of HK\$641,300,000 and a maturity date of 16 July 2033. As at 30 September 2024, the outstanding principal amount of the Company's convertible bonds was HK\$577,170,000 (31 March 2024: HK\$577,170,000).

### ***Foreign Exchange Exposure***

Save for certain purchases are denominated in Euros, the Group's business transactions, assets and liabilities (including cash and bank balances) are principally denominated in Hong Kong dollars, United States dollars and Renminbi. The Group manages the foreign currency exposure by closely monitoring the foreign currency movements and may purchase foreign currencies at spot rate, when and where appropriate for meeting its payment obligations. No foreign currency and other hedges were made during the 2024 Interim Period but the Group will use financial instruments for hedging purpose when considered appropriate.

## ***Material Acquisitions and Disposals***

During the 2024 Interim Period, the Group did not have any significant investments, material acquisition or disposal.

## **Outlook**

In the context of multiple challenges brought by the complex geopolitical landscape and slowdown in global economic growth, China's economy remains resilient with steady growth generally supported by the nation's implementation of a series of stimulus policies and measures.

China's pharmaceutical industry has exhibited signs of continued progress, driven by the nation's favorable policies in accordance with the directions outlined in the 14th Five-Year Plan and the overarching goal of building "Healthy China". The pharmaceutical industry has accelerated its transformation and upgrading, encouraging innovation and technological advancement while pharmaceutical enterprises are faced with intensifying market competition and more complicated operating environment alongside the nation's implementation of deepening reforms aiming for optimising the industry structure, broadening market access and enhancing patient affordability. However, the accelerated aging population, the demographic trend of chronic diseases and the nation's commitments to enhance its medical and health system indicate growth potential in the industry.

As part of the Group's development strategy, the Group has stayed focused on enhancing its production facilities and manufacturing capability of its manufacturing segment by allocating its internal resources, so as to manufacture quality pharmaceutical products to meet market demands. In light of the heightened competition and evolving market environment, the Group will continue to place emphasis in enhancing its production efficiency and sales capabilities, and making efforts to control costs to achieve profitability. As the Group believes that China's pharmaceutical industry sees both challenges and opportunities, the Group will continue to monitor the market trends to identify potential business opportunities and endeavor to pursue new revenue streams.

Embraced with both opportunities and challenges ahead, the Group remains cautiously optimistic on its long-term development and will persistently make efforts to achieve long-term sustainability for the Group.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30 September 2024, the Group had 162 (30 September 2023: 169) employees. Staff costs (including directors' emoluments) for the 2024 Interim Period amounted to about HK\$10.9 million (2023 Interim Period: HK\$10.2 million). The increase in staff costs was mainly due to the increased expenses of salaries and allowances resulted from the increase in payment of performance-related rewards to staff of the manufacturing segment, and certain change in staff mix to meet business needs of the Group.

The Group remunerates its employees with salaries, bonus and other benefits based on industry practices, and provides employee benefits, welfare and statutory contributions in accordance with prevailing labour laws of its operating entities. The Group also provides various training opportunities to its staff members and directors. Such training includes on-job training and compliance seminars.

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 30 August 2022, a share option scheme (the “**Option Scheme**”) had been adopted by the Company, which became effective on 2 September 2022 upon obtaining listing approval from the Stock Exchange, and unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Option Scheme will enable the Group to reward its employees, directors and other selected participants for their contribution or potential contribution to the Group and will assist the Group in its recruitment and retention of high caliber professionals, executives and employees who are instrumental to the long-term growth of the Group.

From the effective date of the Option Scheme to 30 September 2024 and 2023, no share options have been granted, exercised, cancelled or lapsed under the Option Scheme.

## **CORPORATE GOVERNANCE**

The Group recognises the importance of achieving and monitoring the high standard of corporate governance consistent with the need and requirements of its business and the best interest of all its shareholders. The Group is fully committed to doing so.

In the opinion of the directors, the Company has complied with the code provisions of the Corporate Governance Code (“**Code Provisions**”) as set out in Appendix C1 to the Listing Rules throughout the 2024 Interim Period, except for certain deviations as below:

Code Provision B.2.2 stipulates that every director should be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the directors shall retire from office by rotation and the Chairman, Deputy Chairman or Managing Director shall not be subject to retirement by rotation. The Company’s bye-laws deviate from the Code Provision. The Company considers that the continuity of the Chairman/Deputy Chairman/Managing Director and their leadership are essential for the stability of the business and key management. The rotation methodology ensures a reasonable continuity of directorship which is to the best interest of the Company’s shareholders.

Code Provision C.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same person. Dr. Xie Yi has served as the chairman and chief executive officer of the Company. However, the Company believes that there is adequate balance of power and authority in place though vesting the roles of both chairman and chief executive officer in the same person as all major decisions of the Company are made in consultation with members of the Board.

Code Provision F.1.1 stipulates that the Company should have a policy on payment of dividends. The Company has not established a dividend policy as the Company considers it more appropriate to determine a dividend payment after taking into account those factors including the Company's then financial performance, operating and capital requirements and market conditions, to enable the Company be in a better position to cope with its future development, which is to the best interest of the Company and its shareholders as a whole.

The Company will continue to review and monitor the situation as stated above, and to improve the practices as and when the circumstances demand.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

During the 2024 Interim Period, the Company and its subsidiaries did not purchase, redeem or sell any of the Company's listed securities.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standards set out in the Model Code throughout the 2024 Interim Period.

## **AUDIT COMMITTEE**

The audit committee, which comprises three independent non-executive directors, has reviewed the unaudited condensed consolidated interim financial information of the Group for the 2024 Interim Period, and was content that the accounting principles and practices adopted by the Group were in conformity with the current practices in Hong Kong.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The interim results announcement is published on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.extrawell.com.hk](http://www.extrawell.com.hk)). The interim report will be despatched to the shareholders of the Company who have requested to receive printed copies and available on the above websites in due course.

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

Hong Kong, 29 November 2024

*As at the date of this announcement, the executive directors are Dr. Xie Yi, Mr. Cheng Yong, Dr. Lou Yi, Ms. Wong Sau Kuen and Dr. Guo Yi, and the independent non-executive directors are Mr. Fang Lin Hu, Ms. Jin Song and Dr. Zeng Li.*

\* *For identification purpose only*