THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Health Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

China Health Group Limited
中國衛生集團有限公司

(Carrying on business in Hong Kong as CHG HS Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 673)

(I) SUBSCRIPTIONS OF NEW SHARES UNDER SPECIFIC MANDATE;
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TEN (10) SHARES HELD ON THE RECORD DATE;
(III) CONNECTED TRANSACTION AND SPECIAL DEAL IN RELATION TO THE UNDERWRITING AGREEMENT;
(IV) SPECIAL DEAL IN RELATION TO THE PLACING AGENT AGREEMENT;
(V) APPLICATION FOR WHITEWASH WAIVER;
AND
(VI) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

OPTIMA CAPITAL
Optima Capital Limited

Independent Financial Adviser to the Company

红日资本有限公司
RED SUN CAPITAL LIMITED

Placing Agent of the Rights Issue

大灣區深港證券有限公司
GREAT BAY SECURITIES LIMITED

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 58 to 59 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 60 to 116 of this circular.

The notice convening the SGM of China Health Group Limited to be held at Unit 801, 8/F., China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong on 20 August 2025, at 11:00 a.m. or at any adjournment thereof is set out on pages SGM-1 to SGM-6 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the websites of both of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.ch-groups.com.

Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy and indicate voting instruction in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no less than forty-eight (48) hours before the time for holding the SGM (i.e. by 11:00 a.m. on 18 August 2025) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof if you so wish.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company served prior to 4:00 p.m. on 25 September 2025 to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. Such events are set out in the section headed "Termination of the Underwriting Agreement" of this circular. If (i) the Underwriter terminates the Underwriting Agreement or (ii) the Underwriting Agreement does not become unconditional, the Rights Issue will not proceed.

31 July 2025

CONTENTS

Page

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Announcement"	the announcement of the Company dated 22 May 2025 in relation to, among other things, the Subscriptions, the Rights Issue, the Underwriting Agreement, the Placing Agent Agreement and the Whitewash Waiver
"associate(s)"	has the same meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	any day (other than a Saturday, Sunday or public holiday, or a day on which a tropical cyclone warning signal no. 8 or above, a "black" rainstorm warning signal and/or extreme conditions is in force in Hong Kong 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 throughout their normal business hours
"Capital Foresight"	Capital Foresight Limited, a company incorporated in the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Chairman"	chairman of the Board
"Company"	China Health Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (Stock Code: 673)
"Compensatory Arrangements"	the arrangement involving the placing of the Unsubscribed Rights Shares, if any, by the Placing Agent on a best effort basis pursuant to the Placing Agent Agreement in accordance with the Listing Rules
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"Deed of Covenants and Undertaking"	the deed of covenants and undertaking dated 30 April 2025 executed among the Company, Mr. Zhang and the Underwriter as described in the paragraph headed "Deed of Covenants and Undertaking" in the section headed "Proposed Rights Issue" of the "Letter from the Board" contained in this circular
"Director(s)"	the director(s) of the Company
"Ever True"	Ever True Ventures Limited, a company incorporated in Samoa with limited liability
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board, comprising all of the non-executive Directors and the independent non-executive Directors, namely, Mr. Huang Lianhai, Mr. Wang Jingming, Mr. Jiang Xuejun, Mr. Du Yanhua, Mr. Lai Liangquan and Ms. Yang Huimin, which has been established to give recommendation to the Independent Shareholders in respect of the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver, and as to the voting action therefor
"Independent Financial Adviser"	Red Sun Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee, for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver, and as to the voting action therefor

"Independent Shareholder(s)"	Shareholders other than (i) the Subscribers, the Underwriter, the Placing Agent and their respective parties acting in concert with them (including Mr. Ying and Mr. Zhang respectively); and (ii) any Shareholders who are involved in, or interested in, or have a material interest in the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and transactions contemplated thereunder as well as the Whitewash Waiver
"Independent Third Party(ies)"	third party(ies) independent of and not connected with the Company and any of its connected persons
"Issue Price"	issue price of HK$0.1 per Rights Share
"Jinmei"	Jinmei Developments Limited, a company incorporated in the British Virgin Islands with limited liability
"Jinmei Acquisition"	the acquisition of the entire equity interest in Jinmei by Long Heng pursuant to the terms and conditions of the Jinmei Acquisition Agreement, completed on 16 November 2023
"Jinmei Acquisition Agreement"	the sale and purchase agreement dated 12 October 2023 entered into among Long Heng, the Company, Ever True and Ms. Ma Xiaoming in relation to the Jinmei Acquisition
"Jinmei Group"	Jinmei and its subsidiaries
"Judgment Debt"	US$4 million with no interest payable to Capital Foresight pursuant to judgment handed down by the Court of Appeal
"Last Due Diligence Day"	the end of the Business Day immediately prior to the date of the SGM
"Last Trading Day"	30 April 2025, being the last trading day of the Shares on the Stock Exchange immediately prior to the publication of the Announcement
"Latest Practicable Date"	28 July 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this circular

"Latest Time for Acceptance"	4:00 p.m. on the eleventh Business Day after the Record Date, being the latest time for acceptance of and payment for the Rights Shares to be set out in the Prospectus, which is expected to be 17 September 2025
"Latest Time for Termination"	4:00 p.m. on the first Business Day after the latest time of placing of the Unsubscribed Rights Shares by the Placing Agent, being the latest time to terminate the Underwriting Agreement, which is expected to be 25 September 2025
"Letter of Intent"	a non-legally binding letter of intent dated 13 November 2024 entered into between the Company and Subscriber A, pursuant to which Subscriber A expressed its intention to subscribe for new Shares for an aggregate amount of not less than HK$50 million
"Listing Committee"	has the same meaning ascribed to it under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Heng"	Long Heng Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"Macau"	the Macao Special Administrative Region of the PRC
"Mr. Ying"	Mr. Ying Wei who owns the entire issued share capital of Subscriber A and is a Shareholder
"Mr. Zhang"	Mr. Zhang Fan, the Chairman and an executive Director, who owns the entire issued share capital of the Underwriter which is a substantial Shareholder
"Ms. Ying"	應任斯 (Ms. Ying Rensi), daughter of Mr. Ying, who owns the entire issued share capital of Subscriber B
"No Action Shareholders"	those Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renouncees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed

"Non-Qualifying Shareholder(s)"	those Overseas Shareholder(s) to whom the Directors, after making enquiries, consider it necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"NQS Rights Shares"	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form
"Optionholder(s)"	holder(s) of the Share Option(s) which were outstanding as at the Latest Practicable Date and are capable of being exercised on or before the Record Date
"Optionholders' Undertakings"	the irrevocable undertakings dated 30 April 2025 given by the Undertaken Optionholders in favour of the Company and the Underwriter, as described in the paragraph headed "Rights Issue Statistics" in the section headed "Proposed Rights Issue" of the "Letter from the Board" contained in this circular
"Overseas Shareholder(s)"	Shareholder(s) whose address(es) on the register of members of the Company on the Record Date is(are) outside Hong Kong
"PAL(s)"	the renounceable provisional allotment letter(s) in respect of the Rights Issue to be issued to the Qualifying Shareholders in respect of their pro rata entitlement under the Rights Issue
"Placee(s)"	professional, institutional or other investor(s), who shall be Independent Third Party of, not acting in concert with and not connected with the Underwriter, the Subscribers and their respective parties acting in concert with them and/or any of the Company's connected persons
"Placing"	the placing of a maximum of 108,658,608 Unsubscribed Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s) to the Placees on the terms and conditions of the Placing Agent Agreement

"Placing Agent"	Great Bay Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under SFO, being the placing agent appointed by the Company pursuant to the Placing Agent Agreement
"Placing Agent Agreement"	the conditional placing agent agreement dated 30 April 2025 entered into between the Company and the Placing Agent in relation to the Placing and as supplemented by an amendment deed dated 22 May 2025 executed between the Company and the Placing Agent
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
"Promissory Note"	the promissory note issued by the Company to Ever True at completion of the Jinmei Acquisition as consideration in accordance with the Jinmei Acquisition Agreement
"Proposal"	the Subscriptions, the Rights Issue and the transactions contemplated in the Rights Issue, including but not limited to the Placing
"Prospectus"	the prospectus (including any supplementary prospectus) to be despatched to the Qualifying Shareholders (and the Non-Qualifying Shareholder(s) for information only) in connection with the Rights Issue
"Prospectus Documents"	the Prospectus and the PAL
"Prospectus Posting Date"	the first Business Day after the Record Date, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders (as the case may be), which is expected to be 3 September 2025
"Qualifying Shareholder(s)"	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear on the register of members of the Company on the Record Date
"Record Date"	2 September 2025, or such other date as may be agreed in writing between the Company and the Underwriter, being the record date for determining entitlements to the Rights Shares

"Registrar"	Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
"Relevant Period"	the period commencing six months prior to the date of the Announcement and ending on the Latest Practicable Date
"Rights Issue"	the proposed issue of new Shares by way of rights on the basis of three (3) Rights Shares for every ten (10) Shares held at the close of business on the Record Date at the Issue Price pursuant to the Prospectus Documents
"Rights Share(s)"	the new Share(s) to be allotted and issued under the Rights Issue
"Settlement Deed"	the conditional settlement deed dated 3 July 2025 entered into among Long Heng, the Company, Ever True and Ms. Ma Xiaoming, details of which were set out in the Settlement Deed Announcement. Completion of the Settlement Deed took place on 18 July 2025
"Settlement Deed Announcement"	the announcement of the Company dated 3 July 2025 in relation to the Settlement Deed and change in intended use of proceeds from the Proposal
"Settlement Note"	the promissory note issued by the Company to Ever True as settlement of HK$12 million in accordance with the Settlement Deed
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened at Unit 801, 8/F., China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong at 11:00 a.m. on 20 August 2025 to consider and, if thought fit, approve, among other things, the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver
"Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares

"Share Option(s)"	share option(s) granted to the grantees to subscribe for new Shares pursuant to the Share Option Scheme
"Share Option Scheme"	the share option scheme of the Company adopted on 28 August 2012
"Special Deals"	the Underwriting Agreement, the Placing Agent Agreement and the transactions contemplated thereunder
"Specific Mandate"	the specific mandate to be obtained from the Independent Shareholders at the SGM to allot and issue the Subscription Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber A"	Ample Colour Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ying
"Subscriber B"	Perfect Link Group Limited, a company incorporated in Samoa with limited liability and wholly owned by Ms. Ying
"Subscriber C"	鄔琳玲 (Ms. Wu Linling)
"Subscribers"	Subscriber A, Subscriber B and Subscriber C, and each a "Subscriber"
"Subscriptions"	the proposed subscriptions of the Subscription Shares under the Specific Mandate pursuant to the terms and subject to the conditions of each of the Subscription Agreements
"Subscription Agreement A"	the conditional subscription agreement dated 30 April 2025 entered into between the Company and Subscriber A regarding the subscription of 500,000,000 new Shares
"Subscription Agreement B"	the conditional subscription agreement dated 30 April 2025 entered into between the Company and Subscriber B regarding the subscription of 100,000,000 new Shares
"Subscription Agreement C"	the conditional subscription agreement dated 30 April 2025 entered into between the Company and Subscriber C regarding the subscription of 100,000,000 new Shares

"Subscription Agreements"	the Subscription Agreement A, the Subscription Agreement B and the Subscription Agreement C, and each a "Subscription Agreement"
"Subscription Completion"	completion of the Subscriptions
"Subscription Long Stop Date"	31 October 2025 or such other date as the Company and each of the Subscribers may agree in writing
"Subscription Price"	the subscription price of HK$0.1 per the Subscription Share
"Subscription Share(s)"	new Shares to be issued by the Company to the Subscribers pursuant to the Subscription Agreements
"substantial Shareholder(s)"	has the meaning as ascribed to this term under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Undertaken Optionholders"	(1) Mr. Zhang, Mr. Chung Ho and Mr. Xing Yong (all being executive Directors); (2) Mr. Huang Lianhai and Mr. Wang Jingming (all being non-executive Directors); and (3) Mr. Jiang Xuejun, Mr. Du Yanhua and Mr. Lai Liangquan (all being independent non-executive Directors)
"Underwriter"	Treasure Wagon Limited, a company incorporated in Samoa with limited liability and wholly owned by Mr. Zhang
"Underwriting Agreement"	the conditional underwriting agreement dated 30 April 2025 entered into among the Company and the Underwriter in relation to the Rights Issue
"Unsubscribed Rights Shares"	those Rights Shares that (i) are not subscribed by the Qualifying Shareholders by the Latest Time for Acceptance; and (ii) the NQS Rights Shares and/or fractional Rights Share(s) (both in nil-paid form) that are not successfully sold by the Company
"Untaken Rights Shares"	the Unsubscribed Rights Shares that are not successfully placed by the Placing Agent

"Whitewash Waiver"	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of Subscriber A to make a mandatory general offer to the Shareholders and the Optionholders in respect of the Shares and the Share Options not already owned or agreed to be acquired by Subscriber A and parties acting in concert with it as a result of the Subscription Completion
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	renminbi, the lawful currency of the PRC
"%"	per cent.

The English translation of the Chinese names in this circular, where indicated, are intended for identification purpose only and should not be regarded as the official English names of such Chinese names.

Set out below is the expected timetable for the Subscriptions and the Rights Issue. All times and dates stated in this circular refer to Hong Kong local times and dates. The expected timetable is indicative only and may be varied. Any changes to the expected timetable will be announced by way of an announcement by the Company as and when appropriate.

Event	Time and date (Hong Kong time) 2025
Latest time for lodging transfer of Shares to qualify for attendance and voting at the SGM	4:30 p.m. on Wednesday, 13 August
Closure of register of members of the Company for the SGM (both dates inclusive)	Thursday, 14 August to Wednesday, 20 August
Latest time for lodging proxy forms for the SGM	11:00 a.m. on Monday, 18 August
Record date for attendance and voting at the SGM	Wednesday, 20 August
Time and date of the SGM	11:00 a.m. on Wednesday, 20 August
Announcement of the poll results of the SGM	Wednesday, 20 August
Last day of dealings in the Shares on cum-rights basis relating to the Rights Issue	Friday, 22 August
First day of dealings in the Shares on ex-rights basis relating to the Rights Issue	Monday, 25 August
Latest time for the Shareholders to lodge transfer of the Shares in order to qualify for the Rights Issue	4:30 p.m. on Tuesday, 26 August
Closure of register of members of the Company for the Rights Issue (both dates inclusive)	Wednesday, 27 August to Tuesday, 2 September
Record date for the Rights Issue	Tuesday, 2 September
Despatch of the Prospectus Documents	Wednesday, 3 September
First day of dealings in nil-paid Rights Shares	Friday, 5 September

EXPECTED TIMETABLE

Event	Time and date (Hong Kong time) 2025
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Tuesday, 9 September
Last day of dealings in nil-paid Rights Shares	Friday, 12 September
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangements	4:00 p.m. on Wednesday, 17 September
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Wednesday, 17 September
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements	Monday, 22 September
Commencement of placing of Unsubscribed Rights Shares by the Placing Agent	Tuesday, 23 September
Latest time of placing of the Unsubscribed Rights Shares by the Placing Agent	4:00 p.m. on Wednesday, 24 September
Latest time for terminating the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Thursday. 25 September
Announcement of results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and the amount of the Net Gain per Unsubscribed Rights Share under the Compensatory Arrangements)	Thursday, 2 October
Despatch of share certificates for fully-paid Rights Shares and completion of Placing to take place	Friday, 3 October
Completion of the Subscription Agreements	Friday, 3 October
Refund cheques, if any, to be despatched (if the Rights Issue is terminated)	Friday, 3 October

Event	Time and date (Hong Kong time) 2025
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Monday, 6 October
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of Shares	9:00 a.m. on Monday, 6 October
Payment of Net Gain to relevant No Action Shareholders and net proceeds from sale of nil-paid Rights Shares to the relevant Non-Qualifying Shareholders (if any)	Wednesday, 8 October
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of Shares	4:00 p.m. on Monday, 27 October

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION

The Latest Time for Acceptance and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or "extreme conditions" caused by super typhoons which is announced by the Government of Hong Kong, or a "black" rainstorm warning:

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance and payment for the Rights Shares will be extended to 4:00 p.m. on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance and payment for the Rights Shares are postponed in accordance with the foregoing, the dates of the events subsequent to the Latest Time for Acceptance mentioned in this section may be affected. An announcement will be made as soon as practicable by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

If prior to the Latest Time for Termination:

(a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that any of the representations, warranties or undertakings in the Underwriting Agreement being untrue, inaccurate, misleading or breached, or there is any matter which would reasonably be expected to give rise to a material breach or claim, and in case the same is, in the reasonable opinion of the Underwriter, material in the context of the Rights Issue; or

(b) there shall be:

  (i) introduction of any new law, regulation, rule, policy, order or notice or any change in existing laws or regulations or any change in the interpretation or application thereof by any court, government authority or regulatory body or any other competent authority, whether in Hong Kong or elsewhere;

  (ii) any event or circumstance in the nature of force majeure, including but not limited to any act of government, any local, national or international event or change of a political, financial, economic or other nature affecting local securities markets, economic sanctions, strike or lock-out (whether or not covered by insurance), riot, fire, explosion, flooding, earthquake, civil commotion, act of terrorism (whether or not responsibility has been claimed), act of God, declaration of a state of emergency or calamity or crisis, in Hong Kong;

  (iii) any material adverse change in market conditions, including but not limited to any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction of trading in securities; or

  (iv) any material adverse change in the business or in the financial or trading position of the Group as a whole,

which is in the reasonable opinion of the Underwriter so material as to make it inappropriate, inadvisable or inexpedient to proceed with the Rights Issue, then the Underwriter may (after such consultation with the Company and/or its advisers as the circumstances shall admit or be necessary), by written notice to the Company at or before the Latest Time for Termination, terminate the Underwriting Agreement. If this happens, rights and obligations of the parties to the Underwriting Agreement shall cease immediately upon termination, save for the clauses relating to fees and expenses, announcements, indemnity, and governing law and process agent.

If (i) the Underwriter terminates the Underwriting Agreement; or (ii) either the Subscription Agreement A or the Placing Agent Agreement does not become unconditional, the Rights Issue will not proceed. Further details of conditions precedent of the Rights Issue and the Underwriting Agreement are set out in the paragraph headed "Conditions of the Rights Issue and the Underwriting Agreement" in the section headed "The Underwriting Agreement" of the "Letter from the Board" contained in this circular. In the event that any of these circumstances arise, further announcement will be made by the Company.

China Health Group Limited
中國衛生集團有限公司

(Carrying on business in Hong Kong as CHG HS Limited)
(Incorporated in Bermuda with limited liability)
(Stock Code: 673)

Executive Directors:
Mr. Zhang Fan *(Chairman)*
Mr. Chung Ho
Mr. Xing Yong

Non-executive Directors:
Mr. Huang Lianhai
Mr. Wang Jingming

Independent non-executive Directors:
Mr. Jiang Xuejun
Mr. Du Yanhua
Mr. Lai Liangquan
Ms. Yang Huimin

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and principal place of business in Hong Kong:
Unit 801, 8/F
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

31 July 2025

To the Shareholders,

Dear Sir or Madam,

(I) SUBSCRIPTIONS OF NEW SHARES UNDER SPECIFIC MANDATE; (II) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TEN (10) SHARES HELD ON THE RECORD DATE; (III) CONNECTED TRANSACTION AND SPECIAL DEAL IN RELATION TO THE UNDERWRITING AGREEMENT; (IV) SPECIAL DEAL IN RELATION TO THE PLACING AGENT AGREEMENT; AND (V) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

Reference is made to (i) the Announcement in relation to, among other things, the Subscriptions, the Rights Issue, the Underwriting Agreement, the Placing Agent Agreement and the Whitewash Waiver; (ii) the announcements of the Company dated 12 June 2025 and 11 July 2025 in relation to the delay in despatch of circular; and (iii) the announcement of the Company dated 3 July 2025 regarding, among others, the change in intended use of proceeds.

The purpose of this circular is to provide you with, among other things, (i) further details of the Subscriptions, the Rights Issue, the Underwriting Agreement, the Placing Agent Agreement and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee in respect of the Subscriptions, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in regard to the aforesaid; (iv) other information required under the Listing Rules and the Takeovers Code; and (v) a notice convening the SGM.

THE SUBSCRIPTIONS

On 30 April 2025 (after trading hours), the Company entered into three Subscription Agreements in relation to the issue and subscription of a total of 700,000,000 new Shares at the Subscription Price with major terms as follows:

Date : 30 April 2025

Parties and number of the Subscription Shares

Subscription Agreements	Parties	Number of the Subscription Shares	Consideration *(HK$)*
Subscription Agreement A	1) the Company; and 2) Subscriber A	500,000,000	50,000,000
Subscription Agreement B	1) the Company; and 2) Subscriber B	100,000,000	10,000,000
Subscription Agreement C	1) the Company; and 2) Subscriber C	100,000,000	10,000,000
	Total	**700,000,000**	**70,000,000**

Subscriber A is wholly owned by Mr. Ying. Mr. Ying was interested in 16,211,900 Shares as at the Latest Practicable Date and was a former non-executive Director. Subscriber B is wholly owned by Ms. Ying who is a daughter of Mr. Ying. Subscriber A was an investment holding company and held other investment as at the Latest Practicable Date. Subscriber B was also an investment holding company and save for the entering into of the Subscription Agreement B, Subscriber B did not have other existing business as at the Latest Practicable Date. Subscriber C is an acquaintance of Mr. Ying. Mr. Ying acquainted with Subscriber C about six years ago in a seminar for the arbitration industry, where both of Mr. Ying and Subscriber C, who has been an arbitrator at the China International Economic and Trade Arbitration Commission Shanghai Sub-Commission since 2016, were participants of the said seminar. Mr. Ying confirms that he has no business relationship with Subscriber C up to the Latest Practicable Date. Subscriber C participated in the Subscriptions because she considered it as a suitable investment opportunity. Subscriber A, Subscriber B and Subscriber C are acting in concert in respect of the voting rights of the Company.

As at the Latest Practicable Date, Subscriber A, Subscriber B and their respective ultimate beneficial owners together with Subscriber C, were (i) third parties independent of the Company and its connected persons; and (ii) third parties independent of and not acting in concert with any of the Underwriter, Mr. Zhang and parties acting in concert with any of them.

Subscription Shares

Pursuant to the Subscription Agreements, the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, an aggregate of 700,000,000 Subscription Shares at the Subscription Price of HK$0.1 per Subscription Share.

The Subscription Shares will be allotted and issued under the Specific Mandate which will be sought from the Independent Shareholders at the SGM.

The Subscription Shares, when issued, will be issued fully paid up, free from all liens, charges, encumbrances, security interests and claims of third parties of whatsoever nature, and will rank *pari passu* and carry the same rights and privileges in all respects among themselves and with the Shares then in issue, including the right to receive all dividends and other distributions declared, paid or made thereon the record date of which falls on or after the date of issue.

For the avoidance of doubt, the Subscription Shares will not be entitled to the Rights Issue.

Assuming there being no other change in the issued share capital of the Company from the Latest Practicable Date and up to completion of the Subscriptions and the Rights Issue (other than the issue of the Subscription Shares and the Rights Shares), the total number of 700,000,000 Subscription Shares represent (i) approximately 142.4% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 52.3% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares and the Rights Shares immediately upon completion of the Subscriptions and the Rights Issue. The respective number of Subscription Shares to be issued to Subscriber A, Subscriber B and Subscriber C represent approximately 37.3%, 7.5% and 7.5% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares and the Rights Shares immediately upon completion of the Subscriptions and the Rights Issue on the basis there being no other change in the issued share capital of the Company from the Latest Practicable Date and up to completion of the Subscriptions and the Rights Issue (other than the issue of the Subscription Shares and the Rights Shares).

Subscription Price

The Subscription Price of HK$0.1 per Subscription Share represents:

(a) a discount of approximately 28.6% to the closing Share price of HK$0.140 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 37.1% to the average closing Share price of approximately HK$0.159 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the Last Trading Day;

(c) a discount of approximately 41.9% to the average closing Share price of approximately HK$0.172 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the Last Trading Day;

(d) a discount of approximately 51.5% to the average closing Share price of approximately HK$0.206 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately preceding the Last Trading Day;

(e) a discount of approximately 71.0% to the closing Share price of HK$0.345 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(f) a premium of approximately 12.4% over the net asset value attributable to the Shareholders of approximately HK$0.089 per Share based on the unaudited net asset value attributable to the Shareholders of approximately HK$43.9 million as at 30 September 2024 set out in interim report of the Company for the six months ended 30 September 2024 and 491,644,763 total issued Shares as at 30 September 2024.

The Subscription Price has been determined after arm's length negotiation between the Company and the Subscribers with reference to, among others, (i) the Group's financial position and historical loss-making financial performance; (ii) the then market prices of the Shares and market conditions; (iii) the net asset value per Share as at 30 September 2024; and (iv) the potential strategic contributions of Subscriber A to the Group.

The Group has recorded consecutive losses for six financial years up to 31 March 2025. These losses significantly weakened the financial position of the Group, resulting in a deterioration from the unaudited net asset attributable to the Shareholders of approximately HK$43.9 million as at 30 September 2024 to the audited net liabilities attributable to the Shareholders of approximately HK$7.7 million as at 31 March 2025. The Share price has been, in general, on a downward trend from 1 January 2024 to the Last Trading Day which may be attributable to, among other things, (i) the Group's continued losses and declining operational performance; and (ii) the threat of winding-up petitions by Capital Foresight against the Company. In light of the Group's financial distress and uncertainty as well as the then downward trend of the Share price, the Subscribers sought a discount to reflect the risks associated with subscribing for new Shares in a distressed environment, which the Directors considered to be fair and reasonable.

It is set out in the section headed "Reasons for and benefits of the Subscriptions and the Rights Issue" below that Mr. Ying has over 10 years of experience in investing across various sectors, including the medical industry. The funds managed by him have invested in a wide range of medical and biotechnology companies, including pharmaceutical firms and healthcare service providers based in the PRC. Mr. Ying has gained expensive experience in the medical and biotech sectors, including investment, management, and operational oversight of healthcare businesses in the PRC through the aforesaid investments. Following completion of the Proposal, Mr. Ying would assist the Group to explore business opportunities with other business partners through his business network in the healthcare sector in the PRC. Accordingly, the Company considers that the Subscriptions offer an opportunity to introduce Subscriber A to be a new controlling Shareholder, which is expected to bring (i) access to broad business network in the healthcare sector in the PRC; and (ii) strategic support to enhance the Group's operations, broaden its business scope and facilitate its recovery efforts.

Taking into account (i) the then market prices of the Shares with a downward trend discussed above; (ii) the fact that the Subscription Price represents a premium over the net asset value per Share as at 30 September 2024, while the Group recorded net liabilities attributable to the Shareholders as at 31 March 2025; and (iii) the potential strategic benefits by introducing Subscriber A, the Directors consider the Subscription Price to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions to the Subscriptions

For each of the Subscription Agreements:

The Subscription Completion is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

(a) the passing by the Independent Shareholders at the SGM of (i) an ordinary resolution to approve the Subscription Agreements and the transactions contemplated thereunder (more than 50% of the Independent Shareholders at the SGM by way of poll); and (ii) a special resolution to approve the Whitewash Waiver (at least 75% of the Independent Shareholders at the SGM by way of poll) in accordance with the Listing Rules and the Takeovers Code by no later than the Prospectus Posting Date;

(b) the Executive having granted the Whitewash Waiver and such waiver not having been subsequently revoked or withdrawn;

(c) the Listing Committee having granted approval (either unconditionally or subject to conditions) for the listing of, and permission to deal in, the Subscription Shares and such approval not having been subsequently revoked or withdrawn;

(d) all necessary internal and external authorisations, consents, approvals and filings for the Subscription Completion having been obtained or duly filed (as applicable) by the Company and such consents and approvals remaining in full force and effect;

(e) all necessary internal and external authorisations, consents, approvals and filings for the Subscription Completion having been obtained or duly filed (as applicable) by the Subscribers and such consents and approvals remaining in full force and effect;

(f) the Subscribers having completed their due diligence of the Company to their satisfaction by no later than the Last Due Diligence Day;

(g) each of the representations, warranties and undertakings of the Company set out in the Subscription Agreements being true and accurate or otherwise fulfilled in all material respects and not misleading when made and as at the date of the Subscription Completion; and

(h) each of the representations, warranties and undertakings of the Subscribers set out in the Subscription Agreements being true and accurate or otherwise fulfilled in all material respects and not misleading when made and as at the date of the Subscription Completion.

Pursuant to the Subscription Agreements, the SGM will be convened on a date no earlier than 20 June 2025 or such other date as the parties to the Subscription Agreements may agree in writing. If any of the Subscribers is not satisfied with its respective due diligence of the Company, such Subscriber may terminate its respective Subscription Agreement by notice in writing to the Company on or before the Last Due Diligence Day. If no such written notification is given to the Company on or before the Last Due Diligence Day, the condition precedent set out in paragraph (f) above shall be deemed to be and treated as being satisfied to the Subscribers' satisfaction.

Neither the Company nor the Subscribers may waive compliance with the conditions precedent set out in paragraphs from (a) to (e) above. Condition precedent set out in paragraph (h) above can be waived by the Company while conditions precedent set out in paragraphs (f) and (g) above can be waived by the Subscribers.

For the Subscription Agreement A

Save for the conditions precedent applicable to each of the Subscription Agreements as mentioned above, completion of the Subscription Agreement A is also conditional on each of the Underwriting Agreement and the Placing Agent Agreement having been entered into by the parties thereto and the transactions contemplated thereunder having become unconditional and not terminated pursuant to the terms thereof. This additional condition precedent cannot be waived by the parties to the Subscription Agreement A.

For each of the Subscription Agreement B and Subscription Agreement C

Save for the conditions precedent applicable to each of the Subscription Agreements as mentioned above, completion of each of the Subscription Agreement B and the Subscription Agreement C is also conditional on each of the Subscription Agreement A, the Underwriting Agreement and the Placing Agent Agreement having been entered into by the parties thereto and the transactions contemplated thereunder having become unconditional and not terminated pursuant to the terms thereof. This additional condition precedent cannot be waived by the relevant parties to the Subscription Agreement B and the Subscription Agreement C. For the avoidance of doubt, the Subscription Agreement B and the Subscription Agreement C are not inter-conditional to each other.

The Company will apply to the Listing Committee for listing of, and permission to deal in, the Subscription Shares.

None of the conditions precedent had been fulfilled or waived (as the case may be) on the Latest Practicable Date. If any of the conditions precedent under any of the Subscription Agreements has not been satisfied or waived (as the case may be) on or before the Subscription Long Stop Date, the relevant Subscription Agreements shall automatically terminate with immediate effect (save for the clauses in relation to confidentiality, announcements and governing law and process agent) and no party will have any claim against the other party (save for any antecedent breaches thereof).

Completion

Each of the completion of the Subscription Agreement A, the Subscription Agreement B and the Subscription Agreement C shall take place on the fifth Business Day upon the satisfaction and waiver (as the case may be) of all respective conditions precedent to each of the Subscription Agreement A, the Subscription Agreement B and the Subscription Agreement C or such other date as the Company, Subscriber A, Subscriber B and Subscriber C (as the case may be) may agree in writing.

Pursuant to the Subscription Agreements, the Subscription Shares shall be allotted and issued simultaneously with that of the Rights Shares.

It is stipulated in the Subscription Agreement B and the Subscription Agreement C that in the event that Subscriber A fails to complete in respect of the Subscription Agreement A, the respective obligations of the Company, Subscriber B and Subscriber C (as the case may be) to proceed with the completion of each of the Subscription Agreement B and the Subscription Agreement C shall immediately cease.

PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of three (3) Rights Shares for every ten (10) Shares held by the Qualifying Shareholders on the Record Date at the Issue Price of HK$0.1 per Rights Share. The Rights Issue and the Underwriting Agreement are subject to conditions precedent including, among others, each of the Subscription Agreement A and the Placing Agent Agreement having become unconditional and not terminated pursuant to the terms thereof. Further details of conditions precedent of the Rights Issue and the Underwriting Agreement are set out in the paragraph headed "Conditions of the Rights Issue and the Underwriting Agreement" in the section headed "The Underwriting Agreement" below. The principal terms of the Rights Issue are set out below:

Rights Issue Statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every ten (10) Shares held by the Qualifying Shareholders at the close of business on the Record Date
Issue Price	:	HK$0.1 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	491,644,763 Shares
Maximum number of Rights Shares to be issued pursuant to the Rights Issue	:	149,848,428 Rights Shares (assuming that 7,850,000 new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options not subject to the Optionholders' Undertakings, but otherwise no other Shares are issued or repurchased on or before the Record Date)
Minimum number of Rights Shares to be issued pursuant to the Rights Issue	:	147,493,428 Rights Shares (assuming there being no new issue or repurchase of Shares on or before the Record Date)
Maximum enlarged issued share capital upon completion of the Subscriptions and the Rights Issue	:	1,349,343,191 Shares (assuming 7,850,000 new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options not subject to the Optionholders' Undertakings, but otherwise no other Shares are issued or repurchased immediately before the completion of the Subscriptions and the Rights Issue)

Minimum enlarged issued share capital upon completion of the Subscriptions and Rights Issue	:	1,339,138,191 Shares (assuming no new Shares are issued or repurchased immediately before the completion of the Subscriptions and the Rights Issue)

As at the Latest Practicable Date, there were outstanding Share Options carrying the right to subscribe for a total number of 19,050,000 new Shares at an exercise price of HK$1.8 per Share (subject to adjustments), of which 6,850,000 Share Options exercisable from 27 April 2020 to 25 April 2029 (both dates inclusive) and 12,200,000 Share Options exercisable from 21 October 2020 to 20 October 2030 (both dates inclusive), granted and exercisable under the Share Option Scheme. Save for the foregoing, there are no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares.

As at the Latest Practicable Date, the Undertaken Optionholders held the Share Options which entitle them to subscribe for an aggregate of 11,200,000 new Shares. The Undertaken Optionholders have executed the Optionholders' Undertakings in favour of the Company and the Underwriter in respect of the Share Options entitling them to subscribe for a total of 11,200,000 new Shares, pursuant to which each of them has irrevocably undertaken not to exercise any of the Share Options which have been granted to each of them from the date of the Optionholders' Undertakings until the Record Date (both dates inclusive).

Assuming 7,850,000 new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options not subject to the Optionholders' Undertakings, but otherwise no other Shares are issued or repurchased on or before the Record Date, the maximum number of 149,848,428 Rights Shares represents approximately 30.5% of the total number of the existing issued Shares of 491,644,763 as at the Latest Practicable Date and approximately 11.1% of the issued Shares as enlarged by the allotment and issue of all the Subscription Shares and the Rights Shares immediately upon completion of the Subscriptions and the Rights Issue.

Assuming no new Shares are issued or repurchased on or before the Record Date, the minimum number of 147,493,428 Rights Shares represents 30.0% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 11.0% of the total number of the issued Shares as enlarged by the allotment and issue of the Subscription Shares and the Rights Shares immediately upon completion of the Subscriptions and the Rights Issue.

The Issue Price

The Issue Price of HK$0.1 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Issue Price for the Rights Issue represents a discount of approximately 23.7% to the theoretical ex-rights price of approximately HK$0.131 based on the closing Share price of HK$0.140 per Share as quoted on the Stock Exchange on the Last Trading Day.

The Issue Price for the Rights Issue was determined by the Company with reference to the Subscription Price paid by the Subscribers for the Subscription Shares. The equal pricing for Rights Issue can ensure that the Qualifying Shareholders have the opportunity to participate at the same price as the Subscribers. This helps partially alleviate the dilutive effect of the Subscriptions on the Qualifying Shareholders.

On this basis, the Directors consider the Issue Price for the Rights Issue to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* in all respects with the Shares then in issue, including the right to receive all dividends and distributions which may be declared, made or paid with a record date which falls on or after the date of allotment of the Rights Shares in their fully-paid form.

Qualifying Shareholders

The Rights Issue is available to the Qualifying Shareholders only. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on 26 August 2025.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date.

Closure of register of members

The register of members of the Company will be closed from 27 August 2025 to 2 September 2025 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of the Shares will be registered during the above book closure period.

Basis of provisional allotments

The basis of the provisional allotments shall be three (3) Rights Shares (in nil-paid form) for every ten (10) Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of Overseas Shareholders

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

Based on the register of members of the Company as at the Latest Practicable Date, there were seven Overseas Shareholders, five with registered addresses in the PRC holding an aggregate of approximately 257,000 Shares, one with a registered address in Samoa holding 7,200,000 Shares, and one with a registered address in the British Virgin Islands holding 8,000,000 Shares. In compliance with Rule 13.36(2)(a) of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. If, based on the legal advice provided by the respective legal advisers of the PRC, Samoa and the British Virgin Islands, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholders. Further details will be disclosed in the Prospectus.

The Company will continue to ascertain whether there are any other Overseas Shareholders as at the Record Date and will, if necessary, make further enquiries with legal advisers in other overseas jurisdictions regarding the feasibility of extending the Rights Issue to such Overseas Shareholders as at the Record Date and make relevant disclosure in the Prospectus.

The Company will send the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL to them. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote in their instructions at the SGM as Independent Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Arrangements for the NQS Rights Shares

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. If the proceeds from each such sale, less expenses, are more than HK$100, the excess will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. The Company will retain individual amounts of HK$100 or less for its own benefit to cover the administrative costs that it would have incurred. Any unsold entitlements of Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders will be offered for subscription by the Placing Agent to the Placees under the Placing.

Share certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before 3 October 2025 to those entitled thereto by ordinary post, at the respective Qualifying Shareholders' own risk, to their registered addresses. Each allottee will receive one share certificate for all allotted Rights Shares.

If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before 3 October 2025 by ordinary post, at the respective Qualifying Shareholders' own risk, to their registered addresses.

Fractional entitlement to the Rights Shares

No fractional entitlements to the Rights Shares shall be issued to the Qualifying Shareholders and no entitlements of the Non-Qualifying Shareholders to the Rights Shares shall be issued to the Non-Qualifying Shareholders. All fractions of the Rights Shares shall be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market by the Company for its own benefit.

Arrangement on odd lot trading

Upon completion of the Rights Issue, the board lots of the Company will remain as 6,000 Shares. In order to facilitate the trading of odd lots of Shares which will arise upon completion of the Rights Issue, the Company has appointed Blackwell Global Securities Limited as an agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Shares to make up a full board lot, or to dispose of their holding of odd lots of the Shares, during the period from 9:00 a.m. on Monday, 6 October 2025 to 4:00 p.m. on Monday, 27 October 2025 (both dates inclusive). Shareholders who wish to take advantage of this facility should contact Lam Kai Tik of Blackwell Global Securities Limited at 26/F, Overseas Trust Bank Building, 160 Gloucester Road, Wanchai, Hong Kong or at telephone number: (852) 3896 6006 during office hours (i.e. 9:00 a.m. to 4:00 p.m.) of such period.

Holders of Shares in odd lots should note that the matching services mentioned above are on a best effort basis only and successful matching of the sale and purchase of odd lots of Shares is not guaranteed and will depend on there being adequate number of odd lots of Shares available for matching. Shareholders are advised to consult their professional advisers if they are in doubt about the above arrangements.

Deed of Covenants and Undertaking

As at the Latest Practicable Date, Mr. Zhang was interested in an aggregate of 137,299,400 Shares (representing approximately 27.9% of the entire issued share capital of the Company as at the Latest Practicable Date), of which 1,307,400 Shares were held by him and 135,992,000 Shares were held by the Underwriter, a company wholly owned by him.

Pursuant to the Deed of Covenants and Undertaking,

(a) Mr. Zhang unconditionally and irrevocably undertakes to the Company:

(i) to subscribe for 392,220 Rights Shares which represent the full amount of provisional entitlements in respect of the 1,307,400 Shares beneficially held by Mr. Zhang;

(ii) to procure subscription for 40,797,600 Rights Shares which represent the full amount of provisional entitlements in respect of the 135,992,000 Shares beneficially held by the Underwriter;

(iii) not to and will procure the Underwriter not to dispose of, or agree to dispose of, any of the 1,307,400 Shares and 135,992,000 Shares owned by Mr. Zhang and the Underwriter, respectively, and such Shares will remain beneficially owned by Mr. Zhang and the Underwriter, respectively, up to and including the Record Date; and

(iv) to and to procure the Underwriter to lodge or procure the subscription of the 392,220 Rights Shares and 40,797,600 Rights Shares, respectively, which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to Mr. Zhang and the Underwriter, respectively, under the Rights Issue, with the Registrar.

(b) the Underwriter unconditionally and irrevocably undertakes to the Company:

(i) to subscribe for the full amount of provisional entitlements in respect of the 135,992,000 Shares beneficially held by the Underwriter;

(ii) not to dispose of, or agree to dispose of, any of the 135,992,000 Shares owned by the Underwriter, and such Shares will remain beneficially owned by the Underwriter, respectively, up to and including the Record Date; and

(iii) to lodge the subscription of the 40,797,600 Rights Shares, which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to the Underwriter, under the Rights Issue, with the Registrar.

Save for the Deed of Covenants and Undertaking, the Company had not received any information or irrevocable undertaking from any other Shareholder of his/her/its intention in relation to the Rights Shares (in both nil-paid and fully-paid forms) to be provisionally allotted to him/her/it under the Rights Issue as at the Latest Practicable Date.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. Other than on the Stock Exchange, no part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms with their board lot size being the same (i.e. 6,000) as their underlying Shares on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both nil-paid and fully-paid forms will be subject to the payment of stamp duty, the Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Taxation

Qualifying Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf. None of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from receiving, purchasing, holding, exercising, disposing of or dealing in the Rights Shares (in both nil-paid and fully-paid forms).

Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements

The Underwriter was a substantial Shareholder, together with Mr. Zhang, were interested in an aggregate of 137,299,400 Shares, representing approximately 27.9% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the relevant No Action Shareholders to whom they were offered under the Rights Issue and the Non-Qualifying Shareholders. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue.

The Company appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Issue Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (the "**Net Gain**") will be paid to those No Action Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on 24 September 2025, acquirers of those Unsubscribed Rights Shares at a price not less than the Issue Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any but rounded down to the nearest cent) will be paid on a pro-rata basis to the No Action Shareholders as set out below:

(a) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL; and

(b) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS.

If the Net Gain to any of the No Action Shareholder(s) mentioned above (i) is more than HK$100, the entire amount will be paid to them; or (ii) is HK$100 or less, such amount will be retained by the Company for its own benefit.

THE UNDERWRITING AGREEMENT

The Rights Shares (other than those agreed to be taken up by Mr. Zhang and the Underwriter pursuant to the Deed of Covenants and Undertaking) will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement. The principal terms and conditions of the Underwriting Agreement are set out below:

Date	:	30 April 2025 (after trading hours)
Underwriter	:	The Underwriter is Treasure Wagon Limited, a substantial Shareholder interested in 135,992,000 Shares. The Underwriter is wholly owned by Mr. Zhang, the Chairman and an executive Director, who is directly interested in 1,307,400 Shares. As such, the Underwriter complies with Rule 7.19(1)(b) of the Listing Rules. The Underwriter is an investment holding company and does not engage in securities underwriting as part of its ordinary course of business.
Number of Rights Shares underwritten by the Underwriter	:	Up to 108,658,608 Rights Shares, being the maximum number of Rights Shares (assuming 7,850,000 new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options not subject to the Optionholders' Undertakings, but otherwise no other Shares are issued or repurchased on or before the Record Date) and no less than 106,303,608 Rights Shares, being the minimum number of Rights Shares under the Rights Issue, and in both cases, excluding the Rights Shares undertaken to be taken up by Mr. Zhang and the Underwriter pursuant to the Deed of Covenants and Undertaking.
Underwriting Commission	:	nil

Subject to the fulfilment and/or waiver (as the case may be) of the conditions precedent of the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms of the Underwriting Agreement, the Underwriter has agreed to subscribe for the Untaken Rights Shares (being any Unsubscribed Rights Shares that are not successfully placed by the Placing Agent under the Placing Agent Agreement).

As no underwriting commission is payable by the Company, the Directors are of the view that the terms of the Underwriting Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue and the Underwriting Agreement

The Rights Issue and the obligations of the Underwriter contemplated thereunder are conditional upon the following conditions being fulfilled or waived (as the case may be):

(a) all necessary resolutions approving or ratifying (as the case may be) the Underwriting Agreement and the transactions contemplated thereunder having been duly passed by the Independent Shareholders in accordance with the requirements of the Listing Rules at the SGM no later than the Prospectus Posting Date;

(b) the delivery to the Stock Exchange, and filing and registration with the Registrar of Companies in Hong Kong, of the Prospectus Documents (and all other documents required to be attached thereto) in compliance with the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) no later than the Prospectus Posting Date;

(c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Non-Qualifying Shareholders (if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue no later than the Prospectus Posting Date);

(d) the Underwriter having received from the Company all the documents set out in the schedule to the Underwriting Agreement in such form and substance satisfactory to the Underwriter no later than the Business Day immediately before the Prospectus Posting Date;

(e) the Listing Committee having granted approval (subject to allotment) for the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms and such approval not having been subsequently revoked or withdrawn;

(f) all necessary internal and external authorisations, consents, approvals and filings for the completion of the Underwriting Agreement, the Rights Issue and the transactions contemplated thereunder having been obtained or duly filed (as applicable) by the Company and such consents and approvals remaining in full force and effect;

(g) all necessary internal and external authorisations, consents, approvals and filings for the completion of the Underwriting Agreement, the Rights Issue and the transactions contemplated thereunder having been obtained or duly filed (as applicable) by the Underwriter and such consents and approvals remaining in full force and effect;

(h) there being no breach of the undertakings and obligations of the parties to the Underwriting Agreement under the Underwriting Agreement and all representations and warranties of the parties to the Underwriting Agreement referred to in the Underwriting Agreement remaining true and accurate in all material respects and not misleading;

(i) the Underwriting Agreement not being terminated pursuant to the terms thereof; and

(j) each of the Subscription Agreement A and the Placing Agent Agreement having been entered into by the parties thereto and having become unconditional and not terminated pursuant to the terms thereof.

Save for the conditions precedent set out in paragraphs (d) and (h) above which may be waived in whole or in part by the Underwriter at its sole discretion, none of the other conditions precedent can be waived by any party to the Underwriting Agreement.

None of the conditions precedent had been fulfilled or waived (as the case may be) on the Latest Practicable Date. If any of the conditions precedent has not been satisfied or waived (as the case may be) at or before the Latest Time for Termination, the Underwriting Agreement shall automatically terminate with immediate effect (save for the clauses relating to fees and expenses, announcements, indemnity, and governing law and process agent) and no party will have any claim against the other party (save for any antecedent breaches thereof).

Connected transaction and special deal

As mentioned above, the Underwriter is a substantial Shareholder and therefore a connected person of the Company in accordance with the Listing Rules. The Underwriting Agreement and the transactions contemplated thereunder therefore constitute a connected transaction for the Company under the Listing Rules, which require, among other things, approval by the Independent Shareholders at a general meeting of the Company by way of poll. In accordance with the Listing Rules, condition precedent (a) above will be by way of an ordinary resolution which requires more than 50% of the Independent Shareholders' voting (in person or by proxy) at the SGM.

Additionally, by reason of the Underwriter being a Shareholder and that the Underwriting Agreement was not extended to all other Shareholders, the Underwriting Agreement and the transactions contemplated thereunder constitute a special deal under Rule 25 of the Takeovers Code, and are subject to (i) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll; and (ii) the consent of the Executive. Based on legal advice obtained by the Company, the Company considers that fulfilment of (i) the condition precedent set out in paragraph (a) above relating to the Company having obtained requisite Independent Shareholders' approval; and (ii) the condition precedent set out in paragraph (f) above relating to the Company having obtained all necessary internal and external authorisations, consents and approvals for the Underwriting Agreement, the Rights Issue and the transactions contemplated thereunder covers (1) the Independent Shareholders' approval requirements stipulated under both the Listing Rules and the Takeovers Code; and (2) the special deal consent requirement from the Executive stipulated under the Takeovers Code in relation to the Underwriting Agreement. Further details regarding the implications of the Listing Rules and the Takeovers Code are set out in the sections headed "Listing Rules implications" and "Takeovers Code implications, application for Whitewash Waiver and Special Deals" respectively below.

Termination of the Underwriting Agreement

If prior to the Latest Time for Termination:

(a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that any of the representations, warranties or undertakings in the Underwriting Agreement being untrue, inaccurate, misleading or breached, or there is any matter which would reasonably be expected to give rise to a material breach or claim, and in case the same is, in the reasonable opinion of the Underwriter, material in the context of the Rights Issue; or

(b) there shall be:

(i) introduction of any new law, regulation, rule, policy, order or notice or any change in existing laws or regulations or any change in the interpretation or application thereof by any court, government authority or regulatory body or any other competent authority, whether in Hong Kong or elsewhere;

(ii) any event or circumstance in the nature of force majeure, including but not limited to any act of government, any local, national or international event or change of a political, financial, economic or other nature affecting local securities markets, economic sanctions, strike or lock-out (whether or not covered by insurance), riot, fire, explosion, flooding, earthquake, civil commotion, act of terrorism (whether or not responsibility has been claimed), act of God, declaration of a state of emergency or calamity or crisis, in Hong Kong;

(iii) any material adverse change in market conditions, including but not limited to any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction of trading in securities; or

(iv) any material adverse change in the business or in the financial or trading position of the Group as a whole,

which is in the reasonable opinion of the Underwriter so material as to make it inappropriate, inadvisable or inexpedient to proceed with the Rights Issue, then the Underwriter may (after such consultation with the Company and/or its advisers as the circumstances shall admit or be necessary), by written notice to the Company at or before the Latest Time for Termination, terminate the Underwriting Agreement. If this happens, rights and obligations of the parties to the Underwriting Agreement shall cease immediately upon termination, save for the clauses relating to fees and expenses, announcements, indemnity, and governing law and process agent.

If (i) the Underwriter terminates the Underwriting Agreement; or (ii) either the Subscription Agreement A or the Placing Agent Agreement does not become unconditional, the Rights Issue will not proceed. Further details of conditions precedent of the Rights Issue and the Underwriting Agreement are set out in the paragraph headed "Conditions of the Rights Issue and the Underwriting Agreement" above in this section. In the event that any of these circumstances arise, further announcement will be made by the Company.

THE PLACING AGENT AGREEMENT

On 30 April 2025 (after trading hours), the Company and the Placing Agent entered into the Placing Agent Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. Details of the Placing Agent Agreement are as follows:

Date	:	30 April 2025 (after trading hours) and as supplemented by an amendment deed dated 22 May 2025
Placing Agent	:	Great Bay Securities Limited was appointed as the placing agent to place, or procure the placing of, a maximum of 108,658,608 Unsubscribed Rights Shares, on a best effort basis, to the Placee(s).

		The Placing Agent was interested in 804,000 Shares as at the Latest Practicable Date, representing approximately 0.16% of the total number of existing issued Shares. It acted as overall coordinator and placing agent for a top-up placing of the Company under general mandate in July 2024, details of which are set out in the announcements of the Company dated 8 July 2024 and 17 July 2024. The Placing Agent has confirmed that it is an independent third party of and not acting in concert with the Underwriter, the Subscribers and their respective parties acting in concert with them.
Placing commission payable to the Placing Agent	:	2% of the gross proceeds from successful placements of Unsubscribed Rights Shares.
Placing price of the Unsubscribed Rights Shares	:	The placing price of the Unsubscribed Rights Shares shall be not less than the Issue Price. The final price will be determined based on the demand for and market conditions of the Unsubscribed Rights Shares during the Placing.
Placees	:	The Unsubscribed Rights Shares shall only be offered by the Placing Agent to Placee(s) who shall be Independent Third Party of, not acting in concert with and not connected with the Underwriter, the Subscribers and their respective parties acting in concert with them and/or any of the Company's connected persons.
Ranking of Unsubscribed Rights Shares	:	The Unsubscribed Rights Shares shall rank *pari passu* and carry the same rights and privileges in all respects among themselves and with the Shares then in issue.
Placing conditions	:	The Placing is subject to and conditional upon the following conditions being fulfilled:

(a) all necessary resolutions approving or ratifying (as the case may be) the Placing Agent Agreement and the transactions contemplated thereunder having been duly passed by the Independent Shareholders in accordance with the requirements of the Listing Rules and the Takeovers Code at the SGM no later than the Prospectus Posting Date;

(b) the Listing Committee having granted approval (subject to allotment) for the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms and such approval not having been subsequently revoked or withdrawn;

(c) all necessary internal and external authorisations, consents, approvals and filings for the entering into and completion of the Placing Agent Agreement, the Rights Issue and the transactions contemplated thereunder, including but not limited to the consent of the Executive in relation to the Placing Agent Agreement and the transactions contemplated thereunder as a "special deal" under Rule 25 of the Takeovers Code, having been obtained or duly filed (as applicable) by the Company and such consents and approvals remaining in full force and effect;

(d) all necessary internal and external authorisations, consents, approvals and filings for the entering into and completion of the Placing Agent Agreement, the Rights Issue and the transactions contemplated thereunder having been obtained or duly filed (as applicable) by the Placing Agent and such consents and approvals remaining in full force and effect;

(e) the Placing Agent Agreement not being terminated pursuant to the terms thereof; and

(f) each of the Subscription Agreement A and the Underwriting Agreement having been entered into by the parties thereto and having become unconditional and not terminated pursuant to the terms thereof.

None of the above conditions precedent is capable of being waived. No conditions precedent had been fulfilled on the Latest Practicable Date.

Placing period : The period from 23 September 2025 up to 4:00 p.m. on 24 September 2025, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.

As the Placing Agent is a Shareholder and the Placing Agent Agreement was not extended to all other Shareholders, the Placing Agent Agreement and the transactions contemplated thereunder constitute a special deal under Rule 25 of the Takeovers Code, and are subject to (i) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll; and (ii) the consent of the Executive. Further details regarding the implications of the Takeovers Code are set out in the section headed "Takeovers Code implications, application for Whitewash Waiver and Special Deals" below.

The terms of the Placing Agent Agreement (including the placing commission) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue and the then market rate of commission and are on normal commercial terms. The Directors consider that the terms of the Placing Agent Agreement are fair and reasonable.

Given that the Compensatory Arrangements would provide a compensatory mechanism for the No Action Shareholders, the Directors consider that the Compensatory Arrangements are in the interest of the minority Shareholders.

FUNDRAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS

The Company had conducted the following fundraising activity involving issue of equity securities during the 12 months immediately preceding the Announcement:

Date of announcement	Fundraising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
8 July 2024	Top-up placing of existing Shares and subscription of new Shares under general mandate	HK$9,796,000	General working capital	Fully utilised as intended

Save as disclosed above, the Company had not conducted other fundraising exercise involving issue of equity securities during the 12 months immediately preceding the Announcement.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS AND THE RIGHTS ISSUE

The Group is principally engaged in (i) medical equipment and consumables distribution and service business; and (ii) hospital operation and management services business, which together represent its core revenue streams. It previously operated two additional business segments, namely business factoring, and the research and development and sale of functional food through the Jinmei Group. However, the business factoring segment was discontinued following the expiry of its license in June 2024, while the functional food segment was discontinued following the completion of the Settlement Deed.

Over the past decades, the Group has been dedicated to the development and provision of healthcare-related services in the PRC, including hospital management and operations, as well as the sale and marketing of medical equipment and consumables, with a particular emphasis on coronary heart disease. This strategic focus is driven by demographic trends, notably the growing elderly population and the increasing incidence of heart disease among younger age groups. Despite its established presence in the PRC healthcare sector, the Group has in recent years encountered operational and financial headwinds stemming from both macroeconomic conditions and sector-specific challenges.

Since the outbreak of COVID-19 in 2019, the Group's business has experienced significant disruptions. These challenges were further exacerbated by the gradual implementation of national healthcare reforms since 2022. Key objectives of the reforms included improving cost-effectiveness within the medical and national insurance systems, curbing excessive treatments and charges, centralising procurement of medical supplies, and standardising treatment and reimbursement costs. In response to the increasing pricing pressure of its medical equipment and consumables distribution business and reducing demand of hospital services, the Group has continued to adjust its operational strategies, capital deployment, and service models to maintain an appropriate business scale, manage operational risks, and identify new growth opportunities under the evolving regulatory environment.

Notwithstanding these efforts, the Group has been loss-making for the past few years and is facing liquidity pressure. The situation is further aggravated by the outstanding Judgment Debt, which remains unpaid following the ruling by the Court of Appeal, placing the Group under an imminent and genuine threat of winding-up proceedings, details of which are set out in the announcement of the Company dated 21 October 2024. Moreover, the Company had received a letter from the legal representatives of Ever True in November 2024 claiming its right to accelerate the payment of the Promissory Note issued by the Company as consideration for the Jinmei Acquisition for the reason that the cross-default clause has been triggered as a result of the Judgment Debt. As part of the Group's restructuring efforts to restore long-term financial stability, the parties entered into the Settlement Deed on 3 July 2025, which was subsequently completed, details of which are set out in the Settlement Deed Announcement and the announcement of the Company dated 18 July 2025.

In light of these circumstances, the Company explored a range of financing alternatives, including bank borrowings, share placements, convertible bonds, and restructuring plans. The Group has limited collateral available to secure external financing. Combined with ongoing operational losses and the imminent threat of enforcement actions or winding-up petitions, the Group's credit profile has significantly weakened. After careful evaluation, the Directors have concluded that securing bank loans or other debt financing is highly improbable under this circumstances. Debt financing is therefore considered an impractical and unviable option for addressing the Group's financial challenges and its need for capital to support ongoing operations and future development.

The Company had approached a securities firm to discuss the capital raising options. However, during discussions, the firm declined to pursue a capital raising proposal after considering the factors including (i) the Group's ongoing financial distress and operational struggles; (ii) the significant risk posed by the winding-up petitions from Capital Foresight; (iii) the Group's history of losses and deteriorating performance; and (iv) then unfavourable market conditions affecting investor sentiment. Even if a large-scale placement were achievable, it would likely require a significant discount to the then market price, resulting in substantial dilution for existing Shareholders without offering them the opportunity to participate, as provided by the Rights Issue. The Company had also consulted a professional firm in restructuring practice to assess the feasibility of a debt restructuring plan involving the introduction of a white knight investor. It was noted that such debt restructuring plan would likely require a winding-up process, during which the incoming investor(s), if any, would acquire the Group's assets through liquidation. The Directors considered that entering into a winding-up process would result in severe and immediate adverse and unpredictable consequences to the Group's operations. Accordingly, the Company concluded that debt restructuring through winding-up was not a viable path and therefore not to opt for this alternative. Majority of the assets of the Group comprised inventories, receivables, prepayment and loan receivables which could be not be realised in a timely manner to meet the Group's funding need. In addition, the amounts that might be collected would be required to support ongoing operations of the Group, including the settlement of trade payables, bank borrowings as well as other payables and accruals. The Directors concluded that realisation of assets was not a viable option.

Subscriber A emerged as the investor who is prepared to provide immediate capital support. The negotiations led to the formulation of the Proposal, comprising the proposed Subscriptions, Rights Issue and the Placing, which the Board considers to be a necessary and strategic financial restructuring to address both the Group's liquidity needs and long-term business sustainability.

Auditor of the Company expressed a disclaimer of opinion on multiple uncertainties related to going concern on the consolidated financial statements of the Group for the year ended 31 March 2025. Further details of the auditor's opinion are set out in appendix I to this circular. The Group recorded audited consolidated net liabilities and net tangible liabilities attributable to the Shareholders of approximately HK$7.7 million and HK$21.5 million as at 31 March 2025 respectively. As shown in the pro forma financial information of the Group contained in appendix II to this circular, on the basis that both of the Subscriptions and the Rights Issue had been completed on 31 March 2025, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders would be approximately HK$59.4 million. This illustrates the significant improvement in the Group's financial position compared to the financial year end as at 31 March 2025. Save for the Judgment Debt of US$4 million, the Settlement Note of HK$12 million and those other liabilities disclosed in the annual report of the Company for the year ended 31 March 2025, the Group did not have any material liabilities as at the Latest Practicable Date.

The closing Share price increased significantly from HK$0.140 per Share on the Last Trading Day to HK$0.295 per Share on 23 May 2025 after the publication of the Announcement. The Share price closed at HK$0.345 per Share on the Latest Practicable Date. This shows the positive market reaction regarding the Proposal. On this basis, the Directors consider that the discount of both of the Subscription Price and the Issue Price of approximately 37.1% to the five-day average market price immediately preceding the Last Trading Day is acceptable. Moreover, the Directors consider the Rights Issue as an essential component of the capital raising plan, as it offers Qualifying Shareholders the opportunity to subscribe for Rights Shares at the same price as Subscriber A. This helps partially mitigate the dilution impact for Shareholders who elect to participate, while also raising additional working capital to support the Group's business operations and development.

The Proposal is the outcome of exhaustive consideration of all possible alternatives including bank loans, share placements, convertible bond issuances and debt restructuring. The Company's distressed financial position and lack of sufficient collateral have made these options impracticable. The relatively large discount to then market price and significant capital raising size are considered by the Company to be necessary to attract investors willing to bear the risk associated with the Group's financial distress. Although there would be substantial dilution impact on existing Shareholders, the situation is that without the capital injection by way of the Proposal, the Group's future would be at risk. As mentioned above, the dilution impact on existing Shareholders is partially alleviated by the Rights Issue. Therefore, the Directors are of the view that the Proposal (including the Subscription Price, the Issue Price and the capital raising size) is fair and reasonable, as well as in the interests of the Company and the Shareholders as a whole.

The Company believes that Mr. Ying's industry expertise will be instrumental in navigating the challenges of the healthcare landscape in the PRC and driving the Group's business development. He has over 10 years of experience in investing across various sectors, including the medical industry. The funds managed by him have invested in a wide range of medical and biotechnology companies, including pharmaceutical firms and healthcare service providers based in the PRC. Leveraged on his background as further discussed in the section headed "Information on the Subscribers" below, the Proposal is expected to strengthen the Group's business platform by enhancing its hospital operations and expanding the medical equipment and consumables distribution business through a broader product portfolio and a more diversified customer base.

Having considered the factors above, the Directors consider that the terms of the Subscription Agreements, the Rights Issue, the Underwriting Agreement and the Placing Agent Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

Assuming there being no new issue or repurchase of Shares on or before the Record Date, the estimated gross proceeds and net proceeds from the Subscriptions and the Rights Issue (after deducting all fees, costs and expenses estimated to be incurred by the Company in connection with the Subscriptions and the Rights Issue) are expected to be approximately HK$84.7 million and HK$80.9 million, respectively. The estimated net Subscription Price and Issue Price, after deducting such fees, costs and expenses, are therefore both at approximately HK$0.095 per Subscription Share and Rights Share.

As disclosed in the Settlement Deed Announcement, Long Heng shall pay Ever True a sum of HK$12 million by the issuance of the Settlement Note by the Company as final settlement of the disputes. In light of this, the Board resolved to apply part of net proceeds from the Subscriptions and the Rights Issue for the repayment of the Settlement Note. Further details were disclosed in the section headed "The Settlement Deed and audited financial information of the Jinmei Group" below. The net proceeds from the Subscriptions and the Rights Issue are intended to be applied in the following manner:

(a) as to approximately HK$65.3 million for settlement of payables of the Group including: (i) approximately HK$31.2 million for repayment of the Judgment Debt; (ii) approximately HK$15.5 million for settlement of loans (including estimated interest) to the Group which bear interest at 6.5% per annum, are unsecured and repayable on demand; (iii) approximately HK$3.6 million for settlement of overdue salaries of employees of the Group; (iv) approximately HK$5.1 million for the settlement of certain professional fees (save for those relating to the Subscriptions and the Rights Issue); and (v) approximately HK$9.9 million for settlement of overdue Directors remuneration;

(b) as to HK$12 million for repayment of principal amount of the Settlement Note; and

(c) as to the balance amounted to approximately HK$3.6 million as working capital of the Group for payment of daily operating expenses (including staff costs and rental expenses) and settlement of the amount due to suppliers.

Further announcement will be made as and when appropriate if there is a change of use of proceeds.

THE SETTLEMENT DEED AND AUDITED FINANCIAL INFORMATION OF THE JINMEI GROUP

As set out in the Settlement Deed Announcement, a settlement deed dated 3 July 2025 was entered into among Long Heng, the Company, Ever True and Ms. Ma Xiaoming. Pursuant to the Settlement Deed, Long Heng will transfer the entire equity interest in Jinmei to Ever True and pay Ever True a sum of HK$12 million by the issuance of the Settlement Note by the Company as final settlement of the disputes. Completion of the Settlement Deed took place on 18 July 2025. Further details of the Settlement Deed were set out in the Settlement Deed Announcement.

It was disclosed in the interim report of the Company for the six months ended 30 September 2024 that the unaudited carrying amount of the fair value of the Promissory Note payable to Ever True was approximately HK$20.3 million as at 30 September 2024. The aggregate of (i) the settlement amount of HK$12 million; and (ii) the audited consolidated net assets of the Jinmei Group of approximately HK$2.9 million as at 31 March 2025 amounts to HK$14.9 million, representing a saving of approximately HK$5.4 million payable to Ever True as compared to the unaudited fair value of the Promissory Note as at 30 September 2024.

As a result of the cross-default event occurred on 23 October 2024, the consideration of the Jinmei Acquisition shall be revised to an amount, being the lower of HK$146 million or the valuation of the Jinmei Group as determined by an independent valuer jointly appointed by Long Heng and Ever True. At the material time, the Group was under financial pressure and lacked visibility over its ability to meet any financial obligations arising from the revised consideration of the Jinmei Acquisition. As such, the Company deferred engagement with Ever True to initiate the valuation of the Jinmei Group to avoid entering into commitments that it might not be able to fulfil.

Since the cross-default event, the Jinmei Group has experienced delays in executing its business plan largely attributable to the ongoing disputes between the parties. Such delays adversely affect the implementation of the business plan of the Jinmei Group and consequently, the value of the Jinmei Group and its assets. As set out in the audited consolidated financial statements of the Jinmei Group for the year ended 31 March 2025, an impairment provision in respect of intangible asset (i.e. patent for the recipe of a betaine product) of approximately HK$0.6 million was recorded due to the adverse impact on implementation of the business plan of the Jinmei Group. In addition, impairment provision made in respect of other receivables prior to the Jinmei Acquisition of approximately HK$0.5 million, amortisation expenses of intangible asset of approximately HK$0.3 million and other administrative expenses of approximately HK$0.3 million were recorded in the audited consolidated financial statements of the Jinmei Group for the year ended 31 March 2025 respectively. These factors contributed to the drop of audited consolidated net asset value of the Jinmei Group from approximately HK$4.4 million as at 31 March 2024 to approximately HK$2.9 million as at 31 March 2025.

As part of the Group's restructuring efforts to restore its long-term financial stability, the Company considered that it was an appropriate and commercially sensible time to further negotiate with Ever True to settle the disputes following the execution of the relevant transaction documents of the Proposal and the publication of the related announcement. Accordingly, the Settlement Deed was executed.

In view of audited loss after tax of the Jinmei Group for the year ended 31 March 2025 and the adverse impact on implementation of the business plan of the Jinmei Group, the Company is of the view that the audited consolidated net asset value of the Jinmei Group of approximately HK$2.9 million as at 31 March 2025 reflects the underlying value of the Jinmei Group, and it is fair and reasonable to apply the audited consolidated net asset value of the Jinmei Group as at 31 March 2025 to calculate the amount saved by the Group by entering into of the Settlement Deed.

Terms of the Settlement Deed were determined among parties after arm's length negotiations. The settlement contemplated in the Settlement Deed represents a commercially pragmatic resolution to the disputes by eliminating a material contingent liability, mitigating the risk of legal proceedings, and providing a full and final resolution of all claims, disputes, and disagreements among the parties to the Jinmei Acquisition Agreement. Moreover, it allows the Group to reallocate its resources toward restoring financial stability and refocusing on its core operations. On this basis, the Directors consider that the terms of the Settlement Deed are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Since the Settlement Deed and the transactions contemplated thereunder constitute a discloseable transaction of the Company under the Listing Rules, certain unaudited financial information of the Jinmei Group was disclosed in the Settlement Deed Announcement. The unaudited financial information of the Jinmei Group constituted profit forecast under Rule 10 of the Takeovers Code. However, given the time constraints, the Company has encountered genuine practical difficulties in meeting the reporting requirements set out in Rule 10.4 of the Takeovers Code in the Settlement Deed Announcement.

Pursuant to Practice Note 2 to the Takeovers Code, the Company would like to provide the following audited financial information of the Jinmei Group.

According to the audited consolidated financial statements of the Jinmei Group for the year ended 31 March 2025, the consolidated profit/(loss) before and after tax of the Jinmei Group for the two years ended 31 March 2024 and 2025 were:

	For the year ended 31 March 2024 *(HK$'000)*	**For the year ended 31 March 2025** *(HK$'000)*
Profit/(loss) before tax	4,326	(1,696)
Profit/(loss) after tax	4,326	(1,554)

The audited consolidated profit recorded by the Jinmei Group for the year ended 31 March 2024 was approximately HK$4.4 million. Compared to the unaudited consolidated profit of the Jinmei Group for the year ended 31 March 2024 of HK$0.3 million as disclosed in the Settlement Deed Announcement, the difference was primarily attributable to management adjustments relating to the reclassification from the reserve under equity in the balance sheet to bargain purchase gain in the consolidated statement of profit or loss for the year ended 31 March 2024.

The audited consolidated net assets of the Jinmei Group amounted to approximately HK$2.9 million as at 31 March 2025.

Following the disclosure of audited financial information of the Jinmei Group in this section, the requirements under Rule 10 of the Takeovers Code in connection with the unaudited financial information of the Jinmei Group as disclosed in the Settlement Deed Announcement has been superseded.

INFORMATION ON THE SUBSCRIBERS

Subscriber A

Subscriber A was wholly owned by Mr. Ying as at the Latest Practicable Date.

Mr. Ying (aged 59) joined CDH Investments as an operating partner and a managing director in 2009 according to the Chinese official website of CDH Investments and is currently a managing partner of 上海鼎暉百孚投資管理有限公司 (Shanghai CDH Baifu Investment Management Co., Ltd.) (“**Dinghui Baifu**”). According to the Chinese official website of CDH Investments, Dinghui Baifu is an investment manager of CDH Investments, managing approximately RMB70 billion in assets. Mr. Ying previously served as an executive director of China Botanic Development Holdings Limited (currently known as China City Infrastructure Group Limited), a company listed on the Stock Exchange (stock code: 2349) from July 2008 to July 2009. Mr. Ying is currently (i) an independent non-executive director of each of Zhongsheng Group Holdings Limited, a company listed on the Stock Exchange (stock code: 881) and Fountain Set (Holdings) Limited, a company listed on the Stock Exchange (stock code: 420); and (ii) a director of Microvast Holdings, Inc. (a company listed on American NASDAQ, stock code: MVST). Mr. Ying holds a master’s degree in Business Administration from the University of San Francisco and a bachelor’s degree in Economics from 浙江工商大學 (Zhejiang Gongshang University) (formerly known as 杭州商學院 (Hangzhou Business College)).

Subscriber B

Subscriber B was wholly-owned by Ms. Ying as at the Latest Practicable Date.

Ms. Ying (aged 30) is a general manager and executive director of 脈福(深圳)醫療生物科技有限公司 (“**Maifu**”) since February 2024, and the chief executive officer of Mineup LLC (“**Mineup**”) since 2017. Maifu is a PRC company and principally engaged in the sale and distribution of medical equipment business. Mineup is a multimedia design creative agency located in the United States. Ms. Ying is mainly responsible for overseeing Mineup’s overall strategic direction, managing key partnerships, supervising executive-level operations, and leading cross-functional teams in the development of innovative creative and digital media solutions.

Ms. Ying holds a master’s degree in Architecture from Columbia University.

Subscriber C

Ms. Wu Linling (aged 62) acted as the vice president of Government and Legal Affairs (Asia-Pacific) at Owens Corning (China) Investment Co., Ltd. from April 2012 to March 2025. Ms. Wu also acts as an arbitrator at the China International Economic and Trade Arbitration Commission Shanghai Sub-Commission since 2016 and the Shenzhen Court of International Arbitration since 2022. Ms. Wu is an independent non-executive director of 惠而浦(中國)股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 600983) since December 2023.

Ms. Wu is a practicing attorney in New York, the United States and holds master's degrees in Law from Wuhan University and Columbia University.

INTENTION OF SUBSCRIBER A

It is intention of Subscriber A to continue the existing principal business of the Group. Subscriber A does not intend to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group (except for a proposed nomination of new director(s) to the Board at a time no earlier than that as permitted under the Takeovers Code or such later time as Subscriber A considering to be appropriate).

Subscriber A intends to nominate new director(s) to the Board with effect from a date as Subscriber A considering to be appropriate, which is no earlier than such date as permitted under the Takeovers Code. As at the Latest Practicable Date, Subscriber A had not concluded any potential candidate to be appointed as a new director to the Board. Any changes to the members of the Board will be made in compliance with the Takeovers Code and/or the Listing Rules. Further announcement(s) will be made as and when appropriate.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Subscription Completion and completion of the Rights Issue, assuming full acceptance by all Qualifying Shareholders; (iii) immediately after Subscription Completion and completion of the Rights Issue assuming none of the Qualifying Shareholders (other than Mr. Zhang and the Underwriter who shall take up their respective entitlements) have taken up any entitlements of the Rights Shares and all the Unsubscribed Rights Shares are fully placed to the Placees ("**Scenario I**"); and (iv) immediately after Subscription Completion and completion of the Rights Issue assuming none of the Qualifying Shareholders (other than Mr. Zhang and the Underwriter who shall take up their respective entitlements) have taken up any entitlements of the Rights Shares and all the Untaken Rights Shares are taken up by the Underwriter ("**Scenario II**").

(A) Assuming no Share Options are exercised prior to the closure date of register of members for determining entitlements to the Rights Issue:

Shareholders	As at the Latest Practicable Date *No. of Shares*	*%*	Following Subscription Completion and completion of the Rights Issue (assuming full acceptance by all Qualifying Shareholders) *No. of Shares*	*%*	Scenario I *No. of Shares*	*%*	Scenario II *No. of Shares*	*%*
Mr. Zhang together with his associates and concert parties (including the Underwriter) *(Note 1)*	137,299,400	27.93	178,489,220	13.33	178,489,220	13.33	284,792,828	21.26
Mr. Wang Jingming (a non-executive Director)	2,850,600	0.58	3,705,780	0.28	2,850,600	0.21	2,850,600	0.21
Mr. Xing Yong (an executive Director)	139,800	0.03	181,740	0.01	139,800	0.01	139,800	0.01
Mr. Ying and his concert parties:								
Mr. Ying and Subscriber A *(Note 2)*	16,211,900	3.30	521,075,470	38.91	516,211,900	38.55	516,211,900	38.55
Subscriber B	–	–	100,000,000	7.47	100,000,000	7.47	100,000,000	7.47
Subscriber C	–	–	100,000,000	7.47	100,000,000	7.47	100,000,000	7.47
Sub-total	16,211,900	3.30	721,075,470	53.85	716,211,900	53.49	716,211,900	53.49
Placees	–	–	–	–	106,303,608	7.93	–	–
Other public Shareholders	335,143,063	68.16	435,685,981	32.53	335,143,063	25.03	335,143,063	25.03
Total	**491,644,763**	**100.00**	**1,339,138,191**	**100.00**	**1,339,138,191**	**100.00**	**1,339,138,191**	**100.00**

Notes:

1) *As at the Latest Practicable Date, Mr. Zhang was directly interested in 1,307,400 Shares and indirectly interested in 135,992,000 Shares through the Underwriter, the entire issued share capital of which is owned by Mr. Zhang.*

2) *As at the Latest Practicable Date, Mr. Ying was directly interested in 16,211,900 Shares. The entire issued share capital of Subscriber A is owned by Mr. Ying.*

(B) Assuming all Share Options (save for those subject to the Optionholders' Undertakings) having been exercised before the closure date of register of members for determining entitlements to the Rights Issue:

	As at the Latest Practicable Date		Upon exercise of all Share Options (save for those subject to the Optionholders' Undertakings)		Following Subscription Completion and completion of the Rights Issue (assuming full acceptance by all Qualifying Shareholders)		Scenario I		Scenario II	
Shareholders	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Mr. Zhang together with his associates and concert parties (including the Underwriter) *(Note 1)*	137,299,400	27.93	137,299,400	27.49	178,489,220	13.23	178,489,220	13.23	287,147,828	21.28
Mr. Wang Jingming (a non-executive Director)	2,850,600	0.58	2,850,600	0.57	3,705,780	0.27	2,850,600	0.21	2,850,600	0.21
Mr. Xing Yong (an executive Director)	139,800	0.03	139,800	0.03	181,740	0.01	139,800	0.01	139,800	0.01
Mr. Ying and his concert parties:										
Mr. Ying and Subscriber A *(Note 2)*	16,211,900	3.30	16,211,900	3.25	521,075,470	38.62	516,221,900	38.26	516,211,900	38.26
Subscriber B	–	–	–	–	100,000,000	7.41	100,000,000	7.41	100,000,000	7.41
Subscriber C	–	–	–	–	100,000,000	7.41	100,000,000	7.41	100,000,000	7.41
Sub-total	16,211,900	3.30	16,211,900	3.25	721,075,470	53.44	716,221,900	53.08	716,221,900	53.08
Placees	–	–	–	–	–	–	108,658,608	8.05	–	–
Other public Shareholders	335,143,063	68.16	342,993,063	68.66	445,890,981	33.05	342,993,063	25.42	342,993,063	25.42
Total	**491,644,763**	**100.00**	**499,494,763**	**100.00**	**1,349,343,191**	**100.00**	**1,349,343,191**	**100.00**	**1,349,343,191**	**100.00**

Notes:

1) *As at the Latest Practicable Date, Mr. Zhang was directly interested in 1,307,400 Shares and indirectly interested in 135,992,000 Shares through the Underwriter, the entire issued share capital of which is owned by Mr. Zhang.*

2) *As at the Latest Practicable Date, Mr. Ying was directly interested in 16,211,900 Shares. The entire issued share capital of Subscriber A is owned by Mr. Ying.*

LISTING RULES IMPLICATIONS

The Subscription Shares will be allotted and issued under the Specific Mandate which will be sought from the Independent Shareholders at the SGM.

As the Company had not conducted any rights issue or open offer within the 12 months period prior to the Announcement and the Rights Issue will not increase the issued share capital or market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the Shareholders' approval under the Listing Rules.

The Underwriter is a substantial Shareholder and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement constitute a connected transaction for the Company under the Listing Rules and the Underwriting Agreement is subject to requirements relating to reporting, announcement and Independent Shareholders' approval (by way of poll) at the SGM under the Listing Rules. The Underwriter is wholly owned by Mr. Zhang. Therefore, Mr. Zhang and his associates (including the Underwriter) are required to abstain from voting on the resolution(s) in relation to the Underwriting Agreement at the SGM. Moreover, Mr. Ying and his associates are also required to abstain from voting on the resolution(s) in relation to the Underwriting Agreement.

Mr. Zhang abstained from voting at the meeting of the Board convened to consider the Subscription Agreements, the Rights Issue, the Underwriting Agreement and the Placing Agent Agreement due to his interest in the Underwriting Agreement arising from his shareholding in the Underwriter.

Pursuant to Rule 7.27B of the Listing Rules, the Subscriptions and the Rights Issue will result in a maximum theoretical dilution effect of approximately 23.6%.

TAKEOVERS CODE IMPLICATIONS, APPLICATION FOR WHITEWASH WAIVER AND SPECIAL DEALS

(i) Whitewash Waiver

As at the Latest Practicable Date, Mr. Ying was directly interested in 16,211,900 Shares, representing approximately 3.30% of the issued share capital of the Company. Save as disclosed, none of the Subscribers or parties acting in concert with any of them was interested in any Shares as at the Latest Practicable Date. Accordingly, Mr. Ying, Subscriber A, Subscriber B, Subscriber C and parties acting in concert with any of them were interested in 16,211,900 Shares representing approximately 3.30% of the issued share capital of the Company as at the Latest Practicable Date. Assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares and the Rights Shares, the Subscribers and parties acting in concert with any of them (including Mr. Ying) will, in aggregate, be interested in approximately 53.08% (assuming all Share Options not subject to the Optionholders' Undertakings having been exercised before the closure date of register of members for determining entitlements to the Rights Issue) or 53.49% (assuming no Share Options having been exercised prior to the closure date of register of members for determining entitlements to the Rights Issue) of the issued share capital of the Company as enlarged by the issue of all the Subscription Shares and the Rights Shares.

Accordingly, the Subscribers would be required to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscribers and parties acting in concert with any of them), unless the Whitewash Waiver is granted.

An application has been made by Subscriber A to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it is minded to grant the Whitewash Waiver subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Subscription Agreements and the transactions contemplated thereunder.

If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders and the Subscriptions become unconditional, the aggregate shareholding of Subscriber A and parties acting in concert with it in the Company will exceed 50% immediately upon the Subscription Completion and completion of the Rights Issue. Subscriber A and parties acting in concert with it may further increase their shareholding in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

(ii) Special Deals

As at the Latest Practicable Date, the Underwriter, wholly owned by Mr. Zhang, was a Shareholder interested in 135,992,000 Shares and Mr. Zhang was directly interested in 1,307,400 Shares. As the Underwriting Agreement was not extended to all other Shareholders, the Underwriting Agreement and the transactions contemplated thereunder constitute a special deal under Rule 25 of the Takeovers Code.

As at the Latest Practicable Date, the Placing Agent was a Shareholder interested in 804,000 Shares. As the Placing Agent Agreement was not extended to all other Shareholders, the Placing Agent Agreement and the transactions contemplated thereunder also constitute a special deal under Rule 25 of the Takeovers Code.

The Special Deals are subject to the approval by more than 50% of the Independent Shareholders at the SGM by way of poll and require the consent of the Executive. Applications have been made by the Company to the Executive for consent under Rule 25 of the Takeovers Code in relation to the Special Deals.

Such consent of the Executive, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion the terms of the Special Deals are fair and reasonable; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Special Deals.

(iii) Voting at SGM

Mr. Zhang was involved in the negotiation of the Subscriptions. The Subscribers, the Underwriter, the Placing Agent and their respective parties acting in concert with them (including Mr. Ying and Mr. Zhang respectively) are required to abstain from voting on the relevant resolution(s) in respect of the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver at the SGM.

Save as disclosed above, no other Shareholder is involved or interested in or has a material interest in the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver and, hence, is required to abstain from voting on the resolutions to approve the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver at the SGM.

The Subscriptions are conditional on, among others, each of the Underwriting Agreement and the Placing Agent Agreement becoming unconditional, the granting of the Whitewash Waiver by the Executive and the approval by the Independent Shareholders at the SGM. The Subscription Agreement A having become unconditional is one of conditions precedent for each of the Subscription Agreement B and the Subscription Agreement C. The Underwriting Agreement and the Placing Agent Agreement (i.e. the Special Deals) are conditional on, among others, the Subscription Agreement A having become unconditional, the consent of the Executive and the approval of the Independent Shareholders at the SGM. If the Whitewash Waiver or consent for the Special Deals is not granted by the Executive or approvals by the Independent Shareholders of the Whitewash Waiver or the Special Deals are not obtained, the Group's capital raising plan by way of the Subscriptions and the Rights Issue will not proceed.

(iv) Others

The Company will ensure that it will continue to comply with the public float requirements under Rule 8.08(1)(a) of the Listing Rules after completion of the Proposal.

As at the Latest Practicable Date, the Company did not believe that the Subscriptions, the Rights Issue, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder would give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Subscriptions, the Rights Issue, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder do not comply with other applicable rules and regulations.

ADJUSTMENTS IN RELATION TO THE OUTSTANDING SHARE OPTIONS

As at the Latest Practicable Date, there were 19,050,000 outstanding Share Options. Pursuant to the terms and conditions of the Share Option Scheme, the exercise prices and/or number of new Shares to be issued upon exercise of the Share Options may be adjusted in accordance with the terms and conditions of the Share Option Scheme, if any, in the event of an alteration in the capital structure of the Company by way of the Rights Issue. The Company will make further announcement(s) in respect of such adjustments as and when appropriate.

SGM

The register of members of the Company will be closed from Thursday, 14 August 2025 to Wednesday, 20 August 2025 (both dates inclusive) for determining the eligibility of the Shareholders to attend and vote at the SGM. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the SGM.

A notice convening the SGM to be held at Unit 801, 8/F., China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong on Wednesday, 20 August 2025 at 11:00 a.m. is set out on pages SGM-1 to SGM-6 of this circular.

The SGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things, the Subscriptions, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the Whitewash Waiver. Only the Independent Shareholders will be entitled to vote on the resolutions to approve the Subscriptions, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver at the SGM.

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published at the websites of both of the Stock Exchange at www.hkexnews.hk and the Company at www.ch-groups.com. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy and indicate voting instruction in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time for the holding of the SGM (i.e. by 11:00 a.m. on Monday, 18 August 2025) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof if you so wish.

Mr. Zhang was involved in the negotiation of the Subscriptions. The Subscribers, the Underwriter, the Placing Agent and their respective parties acting in concert with them (including Mr. Ying and Mr. Zhang in respectively) are required to abstain from voting on the relevant resolution(s) in respect of the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver at the SGM.

Save as disclosed above, no other Shareholder is involved or interested in or has a material interest in the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver and, hence, is required to abstain from voting on the resolutions to approve the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver at the SGM.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the non-executive Directors and the independent non-executive Directors, namely, Mr. Huang Lianhai, Mr. Wang Jingming, Mr. Jiang Xuejun, Mr. Du Yanhua, Mr. Lai Liangquan and Ms. Yang Huimin, has been established to advise the Independent Shareholders in respect of the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver, and as to the voting action therefor. With the approval of the Independent Board Committee, Red Sun Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

THE PROSPECTUS DOCUMENTS

Subject to, among other things, the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver having been approved by the Independent Shareholders at the SGM, the Prospectus Documents or the Prospectus, whichever appropriate, will be despatched to the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders in due course.

RECOMMENDATION

The Directors (including the members of the Independent Board Committee whose views in respect of the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver are further set out below) consider that the terms of the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable, the Whitewash Waiver is fair and reasonable, and the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee whose views in respect of the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver are further set out below) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver.

Having taken into account the advice of the Independent Financial Adviser, the Independent Board Committee considers that (i) the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; (ii) the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Subscriptions, is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (iii) the Subscription Agreements, the Underwriting Agreement and the Placing Agent Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 58 to 59 of this circular which contain its recommendation to the Independent Shareholders in respect of the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver. Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 60 to 116 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the aforesaid regards.

Your attention is also drawn to the additional information contained in the appendices to this circular.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE RIGHTS SHARES

Shareholders and potential investors of the Company should note the Subscriptions are subject to the fulfillment and/or waiver (as the case may be) of a number of conditions precedent and therefore may or may not materialise and proceed.

In addition, the Rights Issue is conditional upon, among other things, the Subscription Agreement A and the Placing Agent Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed "Termination of the Underwriting Agreement" in the section headed "The Underwriting Agreement" above). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Monday, 25 August 2025. Dealings in the Rights Shares in nil-paid form are expected to take place from Friday, 5 September 2025 to Friday, 12 September 2025. Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled and/or waived (as the case may be) (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and securities of the Company.

Yours faithfully,
For and on behalf of the Board
China Health Group Limited
Chung Ho
Chief executive officer and executive Director

Set out below is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.

China Health Group Limited
中國衛生集團有限公司
(Carrying on business in Hong Kong as CHG HS Limited)
(Incorporated in Bermuda with limited liability)
(Stock Code: 673)

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Unit 801, 8/F
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

31 July 2025

To the Independent Shareholders,

Dear Sir or Madam,

(I) SUBSCRIPTIONS OF NEW SHARES UNDER SPECIFIC MANDATE;
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TEN (10) SHARES HELD ON THE RECORD DATE;
(III) CONNECTED TRANSACTION AND SPECIAL DEAL IN RELATION TO THE UNDERWRITING AGREEMENT;
(IV) SPECIAL DEAL IN RELATION TO THE PLACING AGENT AGREEMENT; AND
(V) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular dated 31 July 2025 of the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalised terms used herein shall have the same meaning as those defined in the Circular unless the context otherwise requires. We have been appointed as the members of the Independent Board Committee to (i) advise the Independent Shareholders (a) as to whether the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (b) as to whether the Whitewash Waiver is fair and reasonable and is in the interests of the Company and the Shareholders as a whole; and (ii) recommend how the Independent Shareholders should vote at the SGM. Red Sun Capital Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in these regards. Details of the advice of the Independent Financial Adviser, together with the principal factors it has taken into consideration in giving its advice, are contained in its letter set out on pages 60 to 116 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

Having taken into account the advice of the Independent Financial Adviser, we consider that (i) the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; (ii) the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Subscriptions, is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (iii) the Subscription Agreements, the Underwriting Agreement and the Placing Agent Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver.

Yours faithfully,
For and on behalf of the Independent Board Committee
China Health Group Limited

Huang Lianhai	**Wang Jingming**	**Jiang Xuejun**	**Du Yanhua**	**Lai Liangquan**	**Yang Huimin**
Non-executive Director	*Non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter of advice from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreements, Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.

红日资本有限公司
RED SUN CAPITAL LIMITED

Room 310, 3/F.,
China Insurance Group Building,
141 Des Voeux Road Central,
Hong Kong

Tel: (852) 2857 9208
Fax: (852) 2857 9100

31 July 2025

To: The independent board of committee and the independent shareholders of
China Health Group Limited

(I) SUBSCRIPTIONS OF NEW SHARES UNDER SPECIFIC MANDATE; (II) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TEN (10) SHARES HELD ON THE RECORD DATE; (III) CONNECTED TRANSACTION AND SPECIAL DEAL IN RELATION TO THE UNDERWRITING AGREEMENT; (IV) SPECIAL DEAL IN RELATION TO THE PLACING AGENT AGREEMENT; AND (V) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Subscription Agreements and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver; (ii) the Underwriting Agreement and the transactions contemplated thereunder; and (iii) the Placing Agent Agreement and the transactions contemplated thereunder; and (iv) the Special Deals, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 31 July 2025 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Subscription Agreements

On 30 April 2025 (after trading hours), the Company entered into the Subscription Agreement A, the Subscription Agreement B and the Subscription Agreement C in relation to the issue and subscription of 500,000,000 new Shares, 100,000,000 new Shares and 100,000,000 new Shares (a total of 700,000,000 new Shares) at the Subscription Price of HK$0.1 per Subscription Share to Subscriber A, Subscriber B and Subscriber C, respectively. Pursuant to the Subscription Agreements, the Subscription Shares shall be allotted and issued simultaneously with that of the Rights Shares. For the avoidance of doubt, the Subscription Shares will not be entitled to the Rights Issue. The Subscription Shares will be allotted and issued under the Specific Mandate which will be sought from the Independent Shareholders at the SGM.

Completion of the Subscription Agreement A is conditional on, among others, each of the Underwriting Agreement and the Placing Agent Agreement having been entered into by the parties thereto and the transactions contemplated thereunder having become unconditional and not terminated pursuant to the terms thereof. Completion of each of the Subscription Agreement B and the Subscription Agreement C is also conditional on, among others, each of the Subscription Agreement A, the Underwriting Agreement and the Placing Agent Agreement having been entered into by the parties thereto and the transactions contemplated thereunder having become unconditional and not terminated pursuant to the terms thereof.

Whitewash waiver

As at the Latest Practicable Date, Mr. Ying was directly interested in 16,211,900 Shares, representing approximately 3.30% of the issued share capital of the Company. Save as disclosed as above, none of the Subscribers or parties acting in concert with any of them were interested in any Shares as at the Latest Practicable Date. Accordingly, Mr. Ying, Subscriber A, Subscriber B, Subscriber C and parties acting in concert with any of them were interested in 16,211,900 Shares representing approximately 3.30% of the issued share capital of the Company as at the Latest Practicable Date. Assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares and the Rights Shares, the Subscribers and parties acting in concert with any of them (including Mr. Ying) will, in aggregate, be interested in approximately 53.08% (assuming all Share Options not subject to the Optionholders' Undertakings having been exercised before the closure date of register of members for determining entitlements to the Rights Issue) or approximately 53.49% (assuming no Share Options having been exercised prior to the closure date of register of members for determining entitlements to the Rights Issue) of the issued share capital of the Company as enlarged by the issue of all the Subscription Shares and the Rights Shares.

Accordingly, the Subscribers would be required to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares and other securities not already owned or agreed to be acquired by them and parties acting in concert with any of them, unless the Whitewash Waiver is granted.

As further mentioned in the Letter from the Board, an application has been made by Subscriber A to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it is minded to grant the Whitewash Waiver subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Subscription Agreements and the transactions contemplated thereunder. Mr. Zhang was involved in the negotiation of the Subscriptions. The Subscribers, the Underwriter, the Placing Agent and their respective parties acting in concert with any of them (including Mr. Ying and Mr. Zhang respectively) are required to abstain from voting on the relevant resolution(s) in respect of the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver at the SGM.

Proposed Rights Issue, the Placing Agent Agreement and the Underwriting Agreement

The Company proposes to implement the Rights Issue to provide the Qualifying Shareholders with an opportunity to participate in the fund-raising exercise at the same Subscription Price as the Subscribers. The basis of the Rights Issue is three (3) Rights Shares for every ten (10) Shares held by the Qualifying Shareholders on the Record Date at the Issue Price of HK$0.1 for each of the Rights Share to raise a gross amount of in the range of between approximately HK$14.7 million and approximately HK$15.0 million. The Company will make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to the independent placees for the benefit of the relevant No Action Shareholders to whom they were offered under the Rights Issue and the Non-Qualifying Shareholders.

On 30 April 2025 (after the trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue, pursuant to which the Underwriter has agreed to subscribe for the Untaken Rights Shares, being all the Unsubscribed Rights Shares that are not successfully placed by the Placing Agent, pursuant to the terms and subject to the conditions set out in the Underwriting Agreement.

The Underwriter is a substantial Shareholder and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement constitute a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As set out in the Letter from the Board, as at the Latest Practicable Date, the Underwriter is wholly owned by Mr. Zhang. Therefore, Mr. Zhang and his associates (including the Underwriter) are required to abstain from voting on the resolution(s) in relation to the Underwriting Agreement at the SGM. Moreover, Mr. Ying and his associates are also required to abstain from voting on the resolution(s) in relation to the Underwriting Agreement.

As at the Latest Practicable Date, the Underwriter, wholly owned by Mr. Zhang, was a Shareholder interested in 135,992,000 Shares and Mr. Zhang was directly interested in 1,307,400 Shares. As the Underwriting Agreement was not extended to all other Shareholders, the Underwriting Agreement and the transactions contemplated thereunder constitute a special deal under Rule 25 of the Takeovers Code.

As at the Latest Practicable Date, the Placing Agent was a Shareholder interested in 804,000 Shares. As the Placing Agent Agreement was not extended to all other Shareholders, the Placing Agent Agreement and the transactions contemplated thereunder also constitute a special deal under Rule 25 of the Takeovers Code.

The Special Deals are subject to the approval by more than 50% of the Independent Shareholders at the SGM by way of poll and require the consent of the Executive. Applications have been made by the Company to the Executive for consent under Rule 25 of the Takeovers Code in relation to the Special Deals.

Such consent of the Executive, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion the terms of the Special Deals are fair and reasonable; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Special Deals.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the non-executive Directors and the independent non-executive Directors, namely, Mr. Huang Lianhai, Mr. Wang Jingming, Mr. Jiang Xuejun, Mr. Du Yanhua, Mr. Lai Liangquan and Ms. Yang Huimin, has been established to advise the Independent Shareholders in respect of the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver, and as to the voting action therefor.

With the approval of the Independent Board Committee, Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any business relationship with or interest in the Company, the Placing Agent, the Underwriter or the Subscribers that could reasonably be regarded as relevant in assessing our independence. Save for our appointment as the Independent Financial Adviser, Red Sun Capital Limited did not act as an independent financial adviser to the Company under the Listing Rules in the past two years. We are not in the same group as the financial adviser to the Company, the Subscribers, their respective substantial shareholders, and/or parties acting in concert with any of them. We do not have a significant connection, financial or otherwise, with either the Subscribers, the Company or the controlling shareholders of either of them, within the two years prior to the date of the Announcement, of a kind reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice under the Takeovers Code. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code.

BASIS OF OUR ADVICE

In order to formulate our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Group, the Directors and/or senior management of the Company (the "**Management**"). We have reviewed, among others, (i) the Subscription Agreements, the Placing Agent Agreement and the Underwriting Agreement; (ii) the annual report of the Company for the year ended 31 March 2024 (the "**Annual Report 2023/24**"); (iii) the announcement of the Company dated 3 July 2025 regarding the Settlement Deed and the change in intended use of proceeds; and (iv) the annual results announcement (the "**Annual Results 2024/25**") and the annual report of the Company for the year ended 31 March 2025 (the "**Annual Report 2024/25**"). We have assumed that all information, representations and opinions contained or referred to in the Circular or made, given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have assumed that all the opinions and representations made by the Directors in the Circular have been reasonably made after due and careful enquiry. The Directors and the Management confirmed that no material facts have been omitted from the information provided and referred to in the Circular, nor statements, information, opinions or representation provided to us to be untrue, inaccurate or misleading. However, we have not, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group or its respective history, experience and track records, or the prospects of the markets in which it operates.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the transactions as contemplated under the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement, the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

We have taken into consideration the following principal factors and reasons in arriving at our opinion in respect of the Underwriting Agreement, the Subscription Agreements and the Whitewash Waiver:

1. INFORMATION OF THE GROUP

As set out in the Letter from the Board, the Company is an investment holding company and the business operations of the Group comprise mainly (i) medical equipment and consumables distribution and service business; and (ii) hospital operation and management services business. It previously operated two additional business segments, namely business factoring, and the research and development and sale of functional food through the Jinmei Group. However, the business factoring segment was discontinued following the expiry of its license in June 2024, while the functional food segment was discontinued following the completion of the Settlement Deed.

Set out below is a summary of the Group's operating results extracted from the Annual Report 2023/24; and (ii) the Annual Report 2024/25:

Summary of the Group's audited consolidated statement of comprehensive income

	For the year ended 31 March		
	2023	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Revenue	76,414	59,930	38,943
Distribution and service in medical equipment and consumables	54,238	45,849	27,711
Hospital operation and management services	21,215	14,081	11,232
Business service	961	–	–

	For the year ended 31 March		
	2023	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Gross profit	27,192	13,638	9,235
Loss before tax	(39,383)	(42,294)	(67,378)
Loss for the year	(39,560)	(42,497)	(67,821)
Loss for the year attributable to:			
Owners of the Company	(42,046)	(40,187)	(67,790)
Non-controlling interests	2,486	(2,310)	(31)

Financial performance of the Group for the year ended 31 March 2025 (the "FY2025") compared with the year ended 31 March 2024 (the "FY2024")

As set out in the Annual Report 2024/25, the Group recorded revenue of approximately HK$38.9 million for FY2025, representing a decrease of approximately 35.1% as compared to approximately HK$59.9 million recorded for FY2024. The revenue comprised (i) income from distribution and service in medical equipment and consumables of approximately HK$27.7 million for FY2025, represented a decrease of approximately 39.5% from FY2024 of approximately HK$45.8 million, which was mainly attributable to the decrease in the sales of the relevant medical equipment and consumables; and (ii) income from hospital operation and management services of approximately HK$11.2 million for FY2025, represented a decrease of approximately 20.6% from approximately HK$14.1 million for FY2024, which was mainly attributable to the overall decrease in numbers of outpatient visits and inpatient admissions of the hospitals operated by the Group in FY2025.

Based on the Annual Report 2024/25, the Group recorded a loss attributable to owners of the Company of approximately HK$67.8 million for FY2025, representing an increase in losses of approximately 68.7% as compared to approximately HK$40.2 million recorded for FY2024. Such increase in losses was mainly attributable to (i) the abovementioned decrease in revenue; (ii) the decrease in other income due to a reversal of other payables and accrued expenses of approximately HK$16.3 million for FY2025 compared with approximately HK$31.2 million for FY2024, which were credited to profit or loss due to expiry of the time bar for bringing payment claims in court by the relevant creditors under the applicable laws and contracts or the waiver of payments having been obtained from the relevant creditors; and (iii) the increase in administrative expenses from approximately HK$33.8 million for FY2024 to approximately HK$62.7 million for FY2025 which was primarily due to the provision for litigation expenses of approximately HK$35.6 million for FY2025 (FY2024: nil) arising from the judgment (the "**Appeal Judgment**") in relation to the action number HCA2549/2017 by the Court of Appeal dated 18 October 2024, ruling against the Company and ordering the payment of US$4 million without interest to Capital Foresight, which was partially offset by (a) the decrease in other loss, net from approximately HK$24.7 million for FY2024 to approximately HK$6.6 million for FY2025 due to the change in fair value of contingent consideration from loss of approximately HK$13.9 million for FY2024 to gain of approximately HK$5.2 million for FY2025; and (b) the decrease in selling and distribution expenses from approximately HK$17.8 million for FY2024 to approximately HK$6.1 million for FY2025. For further details of Appeal Judgment, please refer to the announcement of the Company dated 21 October 2024.

Financial performance for the year ended 31 March 2024 (the "FY2024") compared with the year ended 31 March 2023 (the "FY2023")

As set out in the Annual Report 2023/24, the Group recorded revenue of approximately HK$59.9 million for FY2024, representing a decrease of approximately 27.5% as compared to approximately HK$76.4 million recorded for FY2023. The revenue comprised (i) income from distribution and service in medical equipment and consumables of approximately HK$45.8 million for FY2024, represented a decrease of approximately 15.5% from FY2023 of approximately HK$54.2 million, which was mainly attributable to the increased market competition and the slowing of economic growth in the PRC at the material time, thus the decrease in the sales of the relevant medical equipment and consumables; and (ii) income from hospital operation and management services of approximately HK$14.1 million for FY2024, represented a decrease of approximately 33.6% from approximately HK$21.2 million for FY2023, which was mainly attributable to the overall decrease in numbers of outpatient visits and inpatient admissions of the hospitals operated by the Group in FY2024.

Based on the Annual Report 2023/24, the Group recorded a loss attributable to owners of the Company of approximately HK$40.2 million for FY2024, representing a decrease in losses of approximately 4.6% as compared to approximately HK$42.0 million recorded for FY2023. Such decrease was mainly attributable to the net effects of (i) the abovementioned decrease in revenue and the decrease in gross profit from approximately HK$27.2 million for FY2023 to approximately HK$13.6 million for FY2024, which was mainly attributable to the gross profit margin decreased as the raw materials and labor costs in hospital operations and distribution and services in medical equipment and consumables increased; (ii) the increase in impairment losses on loans and interest receivables, increasing from approximately HK$4.0 million in FY2023 to approximately HK$17.7 million in FY2024; and (iii) other income of approximately HK$31.2 million, due to the reversal of a disputed payable (based on a court judgment and legal advice, the Company believed it was not required to repay a HK$31.2 million loan note, so it recorded such amount as other income in FY2024). Subsequently, Capital Foresight lodged an appeal in the Court of Appeal against the judgment and the Court of Appeal delivered the Appeal Judgment, ruling against the Company and ordering the payment of US$4 million without interest and the Board decided not to appeal against the Appeal Judgment. For further details, please refer to the announcement of the Company dated 21 October 2024. As a result, a provision for other payables amounted to US$4 million was recognised as profit or loss for FY2025.

Summary of the Group's audited consolidated statement of financial position

	As at 31 March		
	2023	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Non-current assets	**79,050**	**63,333**	**32,728**
– Property, plant and equipment	21,300	18,238	17,396
– Goodwill	37,880	25,633	13,561
– Prepayment	17,132	16,524	–
Current assets	**142,135**	**128,983**	**114,620**
– Inventories	11,666	18,595	13,536
– Trade receivables	30,751	30,043	21,230
– Prepayments, deposits and other receivables	29,020	30,089	44,388
– Loan and interest receivables	59,218	46,243	34,345
– Cash and bank balances	11,480	4,013	1,048

	As at 31 March		
	2023	**2024**	**2025**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Current liabilities	**127,235**	**112,107**	**131,965**
– Trade payables	24,117	31,546	24,386
– Other payables and accruals	74,886	62,434	88,471
– Amount due to directors	7,020	6,875	8,577
– Contingent consideration	8,061	–	–
– Bank borrowings	5,684	5,508	5,418
Non-current liabilities	**–**	**20,456**	**15,288**
– Contingent consideration	–	20,325	14,863
Equity attributable to owners of the Company	**86,332**	**52,037**	**(7,663)**
Non-controlling interests	**7,618**	**7,716**	**7,758**

Note: For the avoidance of doubt, only selected major asset and liability components are disclosed in the table above.

Consolidated financial position of the Group as at 31 March 2025

As at 31 March 2025, the Group's total assets amounted to approximately HK$147.3 million, representing a decrease of approximately HK$45.0 million or 23.4% as compared to approximately HK$192.3 million as at 31 March 2024, which was mainly attributable to (i) the decrease in goodwill from approximately HK$25.6 million as at 31 March 2024 to approximately HK$13.6 million as at 31 March 2025; (ii) the decrease in prepayment in non-current nature from approximately HK$16.5 million as at 31 March 2024 to nil as at 31 March 2025; (iii) the decrease in inventories from approximately HK$18.6 million as at 31 March 2024 to approximately HK$13.5 million as at 31 March 2025; (iv) the decrease in trade receivables from approximately HK$30.0 million as at 31 March 2024 to approximately HK$21.2 million as at 31 March 2025; (v) the decrease in loan and interest receivables from approximately HK$46.2 million as at 31 March 2024 to approximately HK$34.3 million as at 31 March 2025; (vi) the decrease in cash and bank from approximately HK$4.0 million as at 31 March 2024 to approximately HK$1.0 million as at 31 March 2025; and (v) on the other hand, the Group recorded an increase in prepayment, deposits and other receivables from approximately HK$30.1 million as at 31 March 2024 to approximately HK$44.4 million as at 31 March 2025.

As at 31 March 2025, the Group's total liabilities amounted to approximately HK$147.3 million, representing an increase of approximately HK$14.7 million or 11.1% as compared to approximately HK$132.6 million as at 31 March 2024, which was mainly attributable to (i) the increase in other payables and accrued expenses from approximately HK$62.4 million as at 31 March 2024 to approximately HK$88.5 million as at 31 March 2025; (ii) the increase in amounts due to directors from approximately HK$6.9 million as at 31 March 2024 to approximately HK$8.6 million as at 31 March 2025, which was partially offset by (a) the decrease in trade payables from approximately HK$31.5 million as at 31 March 2024 to approximately HK$24.4 million as at 31 March 2025; (b) the decrease in contract liabilities from approximately HK$5.1 million as at 31 March 2024 to approximately HK$3.9 million as at 31 March 2025; and (c) the decrease in contingent consideration from approximately HK$20.3 million as at 31 March 2024 to approximately HK$14.9 million as at 31 March 2025.

As at 31 March 2025, net liabilities attributable to owners of the Company amounted to approximately HK$7.7 million as compared to approximately HK$52.0 million of equity attributable to owners of the Company at 31 March 2024.

Consolidated financial position of the Group as at 31 March 2024

As at 31 March 2024, the Group's total assets amounted to approximately HK$192.3 million, representing a decrease of approximately HK$28.9 million or 13.1% as compared to approximately HK$221.2 million as at 31 March 2023, which was mainly attributable to (i) the decrease in goodwill from approximately HK$37.9 million as at 31 March 2023 to approximately HK$25.6 million as at 31 March 2024; (ii) the decrease in loan and interest receivables from approximately HK$59.2 million as at 31 March 2023 to approximately HK$46.2 million as at 31 March 2024; and (iii) the decrease in cash and bank from approximately HK$11.5 million as at 31 March 2023 to approximately HK$4.0 million as at 31 March 2024.

As at 31 March 2024, the Group's total liabilities amounted to approximately HK$132.6 million, representing an increase of approximately HK$5.4 million or 4.2% as compared to approximately HK$127.2 million as at 31 March 2023, which was mainly attributable to (i) the increase in contingent consideration from approximately HK$8.1 million as at 31 March 2023 to approximately HK$20.3 million as at 31 March 2024; and (ii) the increase in trade payables from approximately HK$24.1 million as at 31 March 2023 to approximately HK$31.5 million as at 31 March 2024, which was partially offset by the decrease in other payables and accrued expenses from approximately HK$74.9 million as at 31 March 2023 to approximately HK$62.4 million as at 31 March 2024.

As at 31 March 2024, equity attributable to owners of the Company amounted to approximately HK$52.0 million as compared to approximately HK$86.3 million at 31 March 2023.

Disclaimer of opinion of independent auditor's report of the Company

As set out in the Annual Report 2024/25, the auditors of the Company (the "**Auditors**") issued a disclaimer of opinion ("**Disclaimer of Opinion**") for the consolidated financial statements of the Group for FY2025. Regarding the Disclaimer of Opinion in summary, the Auditors were concerned with the material uncertainties in relation to the Group's that may cast significant doubt on the Group's ability to continue as a going concern, including (i) the Group incurred a loss of approximately HK$67.8 million for FY2025; (ii) the Group had net current liabilities of approximately HK$17.3 million as at 31 March 2025; and (iii) the Group had outstanding bank borrowings, trade payables and other payables and accrued expenses amounting to approximately HK$5.4 million, HK$24.4 million and HK$88.5 million, respectively, as at 31 March 2025, of which (a) the bank borrowings amounted to approximately HK$5.4 million would be repayable on demand; and (b) trade payables and other payables and accrued expenses amounted to approximately HK$24.4 million and HK$88.5 million respectively, which at the time would be due for repayment within the next twelve months or repayable on demand, while its cash and cash equivalents amounted to approximately HK$1.0 million.

Given the Auditors were unable to obtain sufficient appropriate audit evidence that the Auditors considered necessary to assess the assumptions and judgments supporting the Directors' assessment of the Group's ability to continue as a going concern and the likelihood of success of the Group's plans and measures. There were no other satisfactory audit procedures that the Auditors could adopt to satisfy themselves as to the appropriateness of the Directors' use of the going concern basis of accounting and the adequacy of the related disclosures in the consolidated financial statements for FY2025 of the Group. Hence the Disclaimer of Opinion, further details of which are set out in the Annual Report 2024/25.

In this connection, the Subscription Agreements and the Rights Issue, if consummated, should improve the overall consolidated financial position of the Group and reduce the overall gearing ratio of the Group compared to that immediately prior to such transactions.

As set out in the Letter from the Board, 700,000,000 Subscription Shares and 149,848,428 Rights Shares will be issued pursuant to the Subscription Agreements and the Rights Issue respectively and the gross proceeds from the Subscriptions and Rights Issue are expected to be approximately HK$84.7 million in aggregate. As set out in the unaudited pro forma financial information of the Group in Appendix II to the Circular, immediately upon completion of the Subscriptions and Rights Issue and only taking into account the effects of the Subscriptions and Rights Issue, the consolidated net tangible liabilities of the Group attributable to the equity holders of the Company of approximately HK$21.5 million would improve to consolidated net tangible assets of the Group attributable to equity holders of approximately HK$59.4 million.

As set out in the Annual Report 24/25, the gearing ratio as at 31 March 2025 was approximately 0.25 times. The gearing ratio as at 31 March 2025 was calculated based on the total debts comprising (i) other payables of approximately HK$31.2 million, being the Judgement Debt, which shall be repaid using part of the net proceeds from the Subscription and the Rights issue; and (ii) bank borrowings of approximately HK$5.4 million, divided by total assets of the Group of approximately HK$147.3 million. The gearing ratio is expected to improve to approximately 0.04 times following completion of the Subscriptions and Rights Issue as the Judgment Debt will be fully settled according to the intended use of proceeds and assuming no changes to the total assets of the Group.

As set out in the Annual Report 2024/25, the Group had current assets of approximately HK$114.6 million and current liabilities of approximately HK$132.0 million as at 31 March 2025. On this basis, the current ratio of the Group (being the current assets divided by the current liabilities) as at 31 March 2025 was approximately 0.87 times. Immediately upon completion of the Subscriptions and Rights Issue but before the use of proceeds, only taking into account the effects of the Subscriptions and Rights Issue, the current assets of the Group are expected to increase by the net proceeds from the Subscription and the Rights Issue of approximately HK$80.9 million as set out in the Letter from the Board, to approximately HK$195.5 million, and hence the current ratio of the Group will improve to approximately 1.48 times.

Nonetheless, Shareholders should note that the Auditors would reassess the Group's financial position and the circumstance that led to the Disclaimer of Opinion during the course of their annual audit for the year ending 31 March 2026. The audit opinion will be issued based on the information available at that time.

2. INFORMATION ON THE SUBSCRIBERS

We have extracted the background information of the Subscribers from the Letter from the Board and set out below.

Subscriber A

Subscriber A was wholly owned by Mr. Ying as at the Latest Practicable Date.

Mr. Ying (aged 59) joined CDH Investments as an operating partner and a managing director in 2009 as set out in the Letter from the Board, and is currently a managing partner of 上海鼎暉百孚投資管理有限公司 (Shanghai CDH Baifu Investment Management Co., Ltd.) ("**Dinghui Baifu**"). As set out in the Letter from the Board, Dinghui Baifu is an investment manager of CDH Investments, managing approximately RMB70 billion in assets. Mr. Ying previously served as an executive director of China Botanic Development Holdings Limited (currently known as China City Infrastructure Group Limited), a company listed on the Stock Exchange (stock code: 2349) from July 2008 to July 2009. Mr. Ying is currently (i) an independent non-executive director of each of Zhongsheng Group Holdings Limited, a company listed on the Stock Exchange (stock code: 881) and Fountain Set (Holdings) Limited, a company listed on the Stock Exchange (stock code: 420); and (ii) a director of Microvast Holdings, Inc. (a company listed on American NASDAQ, stock code: MVST). Mr. Ying holds a master's degree in Business Administration from the University of San Francisco and a bachelor's degree in Economics from 浙江工商大學 (Zhejiang Gongshang University) (formerly known as 杭州商學院 (Hangzhou Business College*)).

Subscriber B

Subscriber B is wholly-owned by Ms. Ying as at the Latest Practicable Date.

Ms. Ying (aged 30) is a general manager and executive director of 脈福(深圳)醫療生物科技有限公司 ("**Maifu**") since February 2024, and the chief executive officer of Mineup LLC ("**Mineup**") since 2017. Maifu is a PRC company and principally engaged in the sale and distribution of medical equipment business. Mineup is a multimedia design creative agency located in the United States. Ms. Ying is mainly responsible for overseeing Mineup's overall strategic direction, managing key partnerships, supervising executive-level operations, and leading cross-functional teams in the development of innovative creative and digital media solutions. Ms. Ying holds a master's degree in Architecture from Columbia University.

Subscriber C

Ms. Wu Linling (aged 62) acted as the vice president of Government and Legal Affairs (Asia-Pacific) at Owens Corning (China) Investment Co., Ltd. from April 2012 to March 2025. Ms. Wu also acts as an arbitrator at the China International Economic and Trade Arbitration Commission Shanghai Sub-Commission since 2016 and the Shenzhen Court of International Arbitration since 2022. Ms. Wu is an independent non-executive director of 惠而浦(中國)股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 600983) since December 2023. Ms. Wu Linling is a practicing attorney in New York, the United States and holds master's degrees in Law from Wuhan University and Columbia University.

3. REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS AND THE RIGHT ISSUES AND USE OF PROCEEDS

As set out in the Letter from the Board, the Group principally engaged in (i) medical equipment and consumables distribution and service business; and (ii) hospital operation and management services business, which together represent its core revenue streams. It previously operated two additional business segments, namely business factoring, and the research and development and sale of functional food through the Jinmei Group. However, the business factoring segment was discontinued following the expiry of its license in June 2024, while the functional food segment was discontinued following the completion of the Settlement Deed.

We have reviewed and summarised the reasons for and benefits of the Subscriptions and the Rights Issue as set out in the Letter from the Board hereafter. Over the past decades, the Group has dedicated itself to the development and provision of healthcare-related services in the PRC as well as the sale and marketing of medical equipment and consumables. Despite its established presence in the PRC healthcare sector, the Group has in recent years encountered operational and financial headwinds stemming from both macro-economic conditions and sector-specific challenges, such as the increasing pricing pressure of its medical equipment and consumables distribution business. In response to challenges faced by the Group, the Group has continued to adjust its operational strategies, capital deployment and identify new growth opportunities under the evolving regulatory environment.

Notwithstanding such efforts, the Group has been loss-making for the past few years and is facing liquidity pressure. The situation is further aggravated by the outstanding Judgment Debt, which remains unpaid following the ruling by the Court of Appeal, placing the Group under an imminent and genuine threat of winding-up proceedings, details of which are set out in the announcement of the Company dated 21 October 2024. Moreover, the Company had received a letter from the legal representatives of Ever True in 2024 claiming its rights to accelerate the payment of the promissory note issued by the Company as consideration for the Jinmei Acquisition for the reason that the cross-default clause has been triggered as a result of the Judgement Debt.

It is noted that the Company explored a range of financing alternatives, including bank borrowings, share placements, convertible bonds, and restructuring plans, which has been further analysed under section headed "4. OUR ANALYSIS ON THE GROUP'S FINANCING NEEDS AND FINANCING ALTERNATIVES" in this letter.

While both Subscription Price and the Issue Price and Subscription Price represent a discount to the closing price per Share as at the Last Trading Day, they reflect a premium when compared to the net liabilities attributable to Shareholders as at 31 March 2025. Further analysis is set out under section headed "6. ANALYSIS OF THE SUBSCRIPTION PRICE" in this letter. Moreover, the closing Share price increased significantly from HK$0.140 per Share on the Last Trading Day to HK$0.295 per Share on 23 May 2025 after the publication of the Announcement. The Share price closed at HK$0.345 per Share on the Latest Practicable Date. This shows the positive market reaction regarding the Proposal. The Directors consider that the Rights Issue as an essential component of the capital raising plan, as it offers Qualifying Shareholders the opportunity to subscribe for Rights Shares at the same price as the Subscribers. This helps partially mitigate the dilution impact for Shareholders who elect to participate, while also raising additional working capital to support the Group's business operations and development.

The Directors believe that Mr. Ying's industry expertise will be instrumental in navigating the challenges of the healthcare landscape in the PRC and driving the Group's business development. He has over 10 years of experience in investing across various sectors, including the medical industry. The funds managed by him have invested in a wide range of medical and biotechnology companies, including pharmaceutical firms and healthcare service providers based in the PRC. Leveraged on his background as further discussed in the section headed "2. INFORMATION ON THE SUBSCRIBERS" in this letter.

Subscriber A intends to continue the existing principal businesses of the Group, does not intend to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group (except for a proposed nomination of new director(s) to the Board at a time no earlier than that as permitted under the Takeovers Code or such later time as Subscriber A considers to be appropriate). Due to the potential business opportunities that may arise from working with Subscriber A and the potential incentives of Subscriber A as a substantial shareholder (the Subscriber will benefit from the Group's performance turning around in future, including but not limited to, the increase in price of Shares or dividend), we consider that it is fair and reasonable to introduce the Subscriber as a substantial Shareholder.

Assuming there being no new issue or repurchase of Shares on or before the Record Date, the estimated gross proceeds and net proceeds from the Subscriptions and the Rights Issue (after deducting all fees, costs and expenses estimated to be incurred by the Company in connection with the Subscriptions and the Rights Issue) are expected to be approximately HK$84.7 million and HK$80.9 million, respectively. The estimated net Subscription Price and Issue Price, after deducting such fees, costs and expenses, are therefore both at approximately HK$0.095 per Subscription Share and Rights Share.

The Company intends to apply the net proceeds from the Subscriptions and the Rights Issue in the following manner:

(i) as to approximately HK$65.3 million for settlement of payables of the Group including: (a) approximately HK$31.2 million for repayment of the Judgment Debt; (b) approximately HK$15.5 million for settlement of loans (including estimated interest) to the Group with interest rate of 6.5% per annum, are unsecured and repayable on demand; (c) approximately HK$3.6 million for settlement of overdue salaries of employees of the Group; (d) approximately HK$5.1 million for the settlement of certain professional fees (save for those relating to the Subscriptions and the Rights Issue); and (e) approximately HK$9.9 million for settlement of overdue Directors remuneration; and

(ii) as to approximately HK$12.0 million for repayment of principal of the Settlement Note, details of the Settlement Note are set out in the announcement of the Company dated 3 July 2025; and

(iii) as to the balance amounted to approximately HK$3.6 million as working capital of the Group for payment of daily operating expenses (including staff costs and rental expenses) and settlement of the amount due to suppliers.

In connection with the above reasons for and benefits of the Subscriptions and the Right Issues and use of proceeds, we have set out our work done thereof, including, on the Group's financing needs and financing alternatives and the Subscriptions below.

4. OUR ANALYSIS ON THE GROUP'S FINANCING NEEDS AND FINANCING ALTERNATIVES

We have conducted independent review of the information as set out in the Annual Report 2023/24, the Annual Report 2024/25 and the Announcement. We noted the following observations:

(i) the Group has recorded loss attributable to owners of the Company for each of the past six years ended 31 March 2025;

(ii) net cash outflows from operating activities were recorded for each of the past three years;

(iii) the Group was in a net debt position (being the net balance of the cash and bank balances and bank borrowings) of approximately HK$1.5 million and HK$4.4 million as at 31 March 2024 and 2025 respectively, with bank borrowings classified as current liabilities and repayable within one year amounting to approximately HK$5.5 million and HK$5.4 million as at 31 March 2024 and 2025, respectively;

(iv) the Judgment Debt of US$4 million (equivalent to approximately HK$31.2 million), details of which are set out in the announcement of the Company dated 21 October 2024, remained unpaid following the ruling by the Court of Appeal;

(v) the Auditors expressed a Disclaimer of Opinion on multiple uncertainties related to going concern on the consolidated financial statements of the Group for the year ended 31 March 2025, including the Group's outstanding bank borrowings, trade payables and other payables and accrued expenses amounting to approximately HK$5.4 million, HK$24.4 million and HK$88.5 million, respectively, as at 31 March 2025, all of which were either due for repayment within the next twelve months or repayable on demand, while the Group's cash and cash equivalents amounted to approximately HK$1.0 million. A summary of the Disclaimer of Opinion is set out under the section headed "1. Information of the Group – Disclaimer of opinion of independent auditor's report of the Company" in this letter; and

(vi) the intended use in proceeds includes the settlement of payables amounting to approximately HK$65.3 million, repayment of principal amount of the Settlement Note of approximately HK$12 million and allocation of approximately HK$3.6 million as working capital for the Group for payment of daily operating expenses (including staff costs and rental expenses) and amount due to suppliers. Further details are set out under the section headed "USE OF PROCEEDS" in the Letter from the Board

Nonetheless, Shareholders should note that the Auditors would reassess the Group's financial position and the circumstances that led to the Disclaimer of Opinion during the course of their annual audit for the year ending 31 March 2026, and would issue their audit opinion based on the then information available. Given the above and considering that the Group's cash and bank balances declined from approximately HK$4.0 million as at 31 March 2024 to approximately HK$1.0 million as at 31 March 2025, the Group is facing liquidity pressure and has genuine funding needs. This aligns with the Directors' view set out under the section headed "3. REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS AND THE RIGHT ISSUES AND USE OF PROCEEDS" in this letter.

We noted from the Letter from the Board that the Company explored a range of financing alternatives, including bank borrowings, share placements, convertible bonds, and restructuring plans, the Management considered that all these options were unfeasible due to, where applicable, the Group's financial position, insufficient collateral, and lack of interests from other investors at the material time.

As far as debt financing is concerned, we noted that bank borrowings of the Group, being unsecured and repayable within one year, amounted to approximately HK$5.5 million and HK$5.4 million, as at 31 March 2024 and 2025, respectively. Based on our independent review on the Group's financial status based on published information and discussion with the Management, we are given to understand that the Management is of the view that it is not feasibility for the Group to obtain new and/or upsize their existing banking facilities given (i) the Group's recent financial results, which recorded losses for each of the years ended 31 March 2020, 2021, 2022, 2023, 2024 and 2025; (ii) the Group's net cash outflow from operating activities; (iii) the Group was in a net debt position of approximately HK$1.5 million and HK$4.4 million as at 31 March 2024 and 2025, respectively; (iv) the overhang of the Judgment Debt; (v) the increased financial pressure and cash flow for the Group to service additional debt; and (vi) the lack of suitable assets as collateral for credit facilities. In addition, the Management further considered that the increase in finance costs associated with increased debt may adversely affect the Group's future profitability.

As far as equity financing is concerned, we noted that the Company explored possible equity financing options, such as placement of Shares and convertible bonds with financial institutions in the past. However, due to the economic slowdown and challenging market sentiment at the material time, as well as the performance of the then Share prices of the Company and the Group's need to settle the Judgement Debt, no substantive progress for raising funds through other equity financing means were noted.

We also noted from the Letter from the Board that the Company had approached a securities firm to discuss the capital raising options. However, such firm declined to pursue a capital raising proposal after considering the factors including (i) the Group's ongoing financial distress and operational struggles; (ii) the significant risk posed by the winding-up petitions from Capital Foresight; (iii) the Group's history of losses and deteriorating performance; and (iv) then unfavourable market conditions affecting investor sentiment. Besides, even if a large-scale placement was achievable, it would likely require a significant discount to the then market price of the Shares, possibly resulting in substantial dilution for existing Shareholders without offering them the opportunity to participate, as provided by the Rights Issue.

The Company had also consulted a professional firm in restructuring practice to assess the feasibility of a debt restructuring plan involving the introduction of a white knight investor. It was noted that such debt restructuring plan would likely require a winding-up process, during which the incoming investor(s), if any, would acquire the Group's assets through liquidation. The Directors considered that entering into a winding-up process would result in severe and immediate adverse and unpredictable consequences to the Group's operations. Accordingly, the Company concluded that debt restructuring through winding-up was not a viable path and therefore not to opt for this alternative. Majority of the assets of the Group comprised inventories, receivables, prepayment and loan receivables which could not be realised in a timely manner to meet the Group's funding need. In addition, the amounts that might be collected would be required to support ongoing operations of the Group, including the settlement of trade payables, bank borrowings as well as other payables and accruals. The Directors concluded that realisation of assets was not a viable option.

To assess the fairness and reasonableness of the Subscriptions, we have conducted the following work and analysis, including:

(i) reviewed the Group's financial status based on published information;

(ii) reviewed the outstanding debts repayment plan of the Group, namely, the total outstanding balance of payables, debts and the Settlement Note of approximately HK$77.3 million of the Group will be settled by the net proceeds from the Subscriptions and the Rights Issue and noted that net proceeds from the Subscriptions and the Rights Issue of approximately HK$80.9 million (in aggregate) would contribute towards the repayment of the debts and liabilities of the Group, and is expected to have positive financial effects on the net assets, current ratio and gearing ratio of the Group, our further analysis of which is set out under section headed "1. INFORMATION OF THE GROUP – Disclaimer of opinion of independent auditor's report of the Company" in this letter above;

(iii) discussed with the Management and understood that the Proposal, including the Subscription, is the outcome of the Company's consideration of alternatives; and

(iv) reviewed background information on the Subscriber A and understood that the Subscriptions offer an opportunity to introduce Subscriber A to be a new controlling Shareholder which is expected to bring (a) access to broad business network in the healthcare sector in the PRC given the network, track record and experience of Mr. Ying, who owns Subscriber A, in investing in across various sectors, including healthcare, medical and biotechnology related businesses; and (b) strategic support to enhance the Group's operations, broaden its business scope and facilitate its recovery efforts.

Given that (i) the Proposal is the outcome of the Company's consideration of alternatives including bank loans, share placements, convertible bond issuances and debt restructuring and the Company's distressed financial position and lack of sufficient collateral have made these options impracticable; (ii) Subscriber A emerged as the investor who is prepared to provide immediate capital support and the negotiations led to the formulation of the Proposal, comprising the proposed Subscriptions, Rights Issue and Placing, which the Board considers to be a necessary and strategic financial restructuring to address both the Group's liquidity needs and long-term business sustainability; and (iii) based on our independent review on the Group's current financial status, including the liquidity pressure and funding needs of the Group, as well as the limitations of the other financing alternatives, we concur with the Directors that the Proposal, including the Subscriptions, is an appropriate fund-raising method for the Group and is in the interests of the Company and the Shareholders as a whole.

5. THE SUBSCRIPTIONS

On 30 April 2025 (after trading hours), the Company entered into three Subscription Agreements in relation to the issue and subscription of a total of 700,000,000 new Shares at the Subscription Price with major terms as follows:

Date: 30 April 2025

Parties and number of the Subscription Shares

Subscription Agreements	Parties		Number of the Subscription Shares	Consideration *HK$*
Subscription Agreement A	(i)	the Company (as issuer); and	500,000,000	50,000,000
	(ii)	Subscriber A (as subscriber)		
Subscription Agreement B	(i)	the Company (as issuer); and	100,000,000	10,000,000
	(ii)	Subscriber B (as subscriber)		
Subscription Agreement C	(i)	the Company (as issuer); and	100,000,000	10,000,000
	(ii)	Subscriber C (as subscriber)		
			700,000,000	70,000,000

Subscriber A is wholly owned by Mr. Ying. Mr. Ying was interested in 16,211,900 Shares as at the Latest Practicable Date and was a former non-executive Director. Subscriber B is wholly owned by Ms. Ying who is a daughter of Mr. Ying. Subscriber A was an investment holding company and held other investment as at the Latest Practicable Date. Subscriber B was also an investment holding company and save for the entering into of the Subscription Agreement B, Subscriber B did not have other existing business as at the Latest Practicable Date. Subscriber C is an acquaintance of Mr. Ying. Mr. Ying acquainted with Subscriber C about six years ago in a seminar for the arbitration industry, where both Mr. Ying and Subscriber C, who has been an arbitrator at the China International Economic and Trade Arbitration Commission Shanghai Sub-Commission since 2016, were participants of the said seminar. Mr. Ying confirms that he has no business relationship with Subscriber C up to the Latest Practicable Date. Subscriber C is interested and participated in the Subscriptions, viewing the Subscriptions as a suitable investment opportunity. Subscriber A, Subscriber B, and Subscriber C are acting in concert in respect of the voting rights of the Company.

As at the Latest Practicable Date, Subscriber A, Subscriber B and their respective ultimate beneficial owners together with Subscriber C, were (i) third parties independent of the Company and its connected persons; and (ii) third parties independent of and not acting in concert with any of the Underwriter, Mr. Zhang and parties acting in concert with any of them.

Subscription Shares

Pursuant to the Subscription Agreements, the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, an aggregate of 700,000,000 Subscription Shares at the Subscription Price of HK$0.1 per Subscription Share. The Subscription Shares will be allotted and issued under the Specific Mandate which will be sought from the Independent Shareholders at the SGM.

The Subscription Shares, when issued, will be issued fully paid up, free from all liens, charges, encumbrances, security interests and claims of third parties of whatsoever nature, and will rank *pari passu* and carry the same rights and privileges in all respects among themselves and with the Shares then in issue, including the right to receive all dividends and other distributions declared, paid or made thereon the record date of which falls on or after the date of issue. For the avoidance of doubt, the Subscription Shares will not be entitled to the Rights Issue.

Assuming there being no other change in the issued share capital of the Company from the Latest Practicable Date and up to completion of the Subscription Completion (other than the issue of the Subscription Shares and the Rights Shares), the total number of 700,000,000 Subscription Shares represent (i) approximately 142.4% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 52.3% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares and the Rights Shares immediately upon completion of the Subscriptions and the Rights Issue. The respective number of Subscription Shares to be issued to Subscriber A, Subscriber B and Subscriber C represent approximately 37.3%, 7.5% and 7.5% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares and the Rights Shares immediately upon completion of the Subscriptions and the Rights Issue on the basis there being no other change in the issued share capital of the Company from the Latest Practicable Date and up to completion of the Subscriptions and the Rights Issue (other than the issue of the Subscription Shares and the Rights Shares). For the shareholding structure of the Company immediately upon the completion of the Subscriptions and the Rights Issue (other than the issue of the Subscription Shares and the Rights Shares), please refer to the section headed "EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY" in the Letter from the Board.

Subscription Price

The Subscription Price of HK$0.1 per Subscription Share represents:

(i) a discount of approximately 28.6% to the closing Share price of HK$0.140 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 37.1% to the average closing Share price of approximately HK$0.159 per Share as quoted on the Stock Exchange for the last six consecutive trading days immediately preceding the Last Trading Day;

(iii) a discount of approximately 41.9% to the average closing Share price of approximately HK$0.172 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the Last Trading Day;

(iv) a discount of approximately 51.5% to the average closing Share price of approximately HK$0.206 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately preceding the Last Trading Day;

(v) a discount of approximately 71.0% to the closing price of HK$0.345 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

(vi) a premium of approximately 12.4% over the net asset value attributable to the Shareholders of approximately HK$0.089 per Share based on the unaudited net asset value attributable to the Shareholders of approximately HK$43.9 million as at 30 September 2024 set out in interim report of the Company for the six months ended 30 September 2024 and 491,644,763 total issued Shares as at 30 September 2024.

As set out in the Annual Report 2024/25, the Company recorded net liabilities attributable to owners of the Company of approximately HK$7.7 million as at 31 March 2025. Hence no comparison of value against the Subscription Price has been made in this connection.

The Subscriptions and the Rights Issue will result in a maximum theoretical dilution effect of 23.6%. The Company considers that the Subscriptions offer an opportunity to introduce Subscriber A to be a new controlling Shareholder, which is expected to bring (i) access to broad business network in the healthcare sector in the PRC given the network, track record and experience of Mr. Ying, who owns Subscriber A, in investing in across various sectors, including healthcare, medical and biotechnology related businesses through his role at Dinghui Baifu, being a PRC asset manager established for more than 10 years with an asset under management of over RMB70 billion as set out in its website; and (ii) strategic support to enhance the Group's operations, broaden its business scope and facilitate its recovery efforts.

The Group has recorded consecutive losses for six financial years ended 31 March 2025. The persistent losses significantly weakened the financial position of the Group. The Share price has been, in general, on a downward trend from 1 January 2024 to the Last Trading Day which may be contributed by, among other things, (i) the historical financial performance of the Group with persistent losses and deteriorating operational performance; and (ii) a legal claim by Capital Foresight against the Company for US$4 million, details of which set out in the announcements of the Company dated 28 September 2016, 3 October 2016, 30 March 2017, 8 November 2017, 21 December 2023 and 21 October 2024. Considering the Group's financial distress and uncertainty as well as the downward trend of the Share price, the Subscribers sought for a discount to reflect the risks associated with subscribing for new Shares in a distressed environment, and the Directors considered it fair and reasonable. As set out in the Letter from the Board, the Subscription Price was determined after arm's length negotiation between the Company and the Subscribers with reference to, among others, (i) the Group's financial position and historical loss-making financial performance; (ii) the then market prices of the Shares with a downward trend as abovementioned and market conditions; (iii) the net asset value per Share; and (iv) the potential strategic contributions of Subscriber A to the Group.

Conditions precedent

Details of the conditions precedent of the Subscription Agreements are set out in the Letter from the Board under the section headed "The SUBSCRIPTIONS". It is also noted that save for the conditions precedent applicable to each of the Subscription Agreements as set out in the Letter from the Board, completion of the Subscription Agreement A is also conditional on each of the Underwriting Agreement and the Placing Agent Agreement having become unconditional and not terminated pursuant to the terms thereof. This additional condition precedent cannot be waived by the parties to the Subscription Agreement A.

As for each of the Subscription Agreement B and Subscription Agreement C, save for the conditions precedent applicable to each of the Subscription Agreements as set out in the Letter from the Board, completion of each of the Subscription Agreement B and the Subscription Agreement C is also conditional on each of the Subscription Agreement A, the Underwriting Agreement and the Placing Agent Agreement having been entered into by the parties thereby and the transactions contemplated thereunder having become unconditional and not terminated pursuant to the terms thereof. This additional condition precedent cannot be waived by the relevant parties to the Subscription Agreement B and the Subscription Agreement C. For the avoidance of doubt, the Subscription Agreement B and the Subscription Agreement C are not inter-conditional to each other.

None of the conditions precedent had been fulfilled or waived (as the case may be) on the Latest Practicable Date.

Completion

Each of the completion of the Subscription Agreement A, the Subscription Agreement B and the Subscription Agreement C shall take place on the fifth Business Day upon the satisfaction and waiver (as the case may be) of all respective conditions precedent to each of the Subscription Agreement A, the Subscription Agreement B and the Subscription Agreement C or such other date as the Company, Subscriber A, Subscriber B and Subscriber C (as the case may be) may agree in writing.

Pursuant to the Subscription Agreements, the Subscription Shares shall be allotted and issued simultaneously with that of the Rights Shares.

It is stipulated in the Subscription Agreement B and the Subscription Agreement C that in the event that Subscriber A fails to complete in respect of the Subscription Agreement A, the respective obligations of the Company, Subscriber B and Subscriber C (as the case may be) to proceed with the completion of each of the Subscription Agreement B and the Subscription Agreement C shall immediately cease.

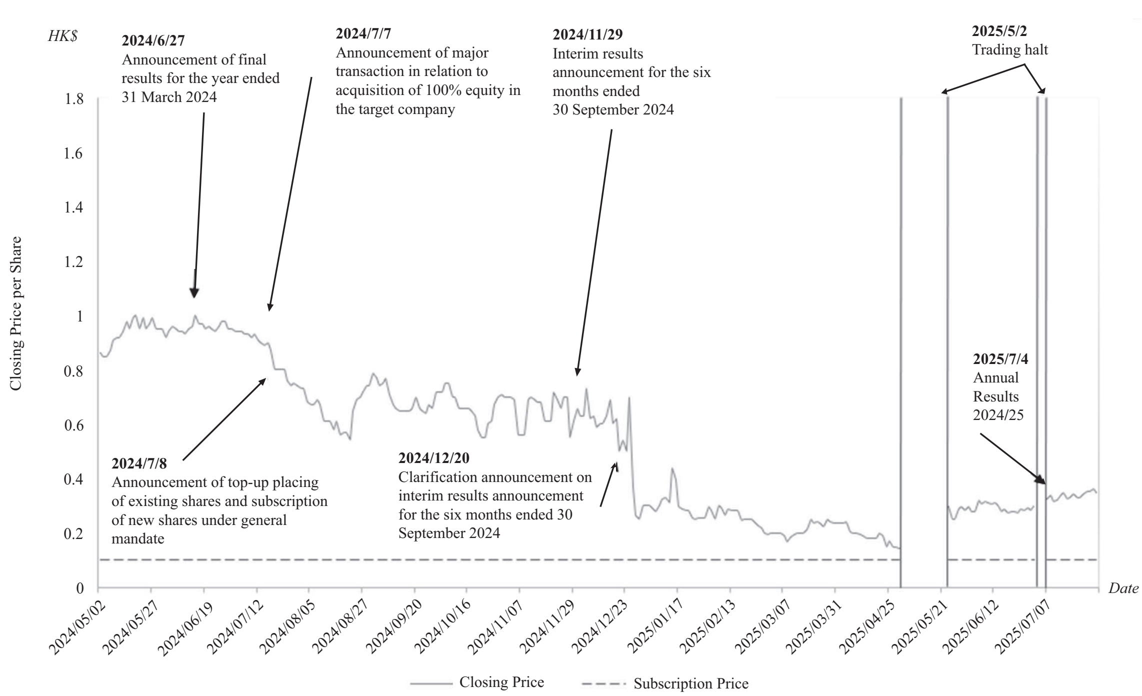
6. ANALYSIS OF THE SUBSCRIPTION PRICE

With reference to the Letter from the Board, the Subscription Price was determined after arm's length negotiations between the Company and the Subscribers, among others, with reference to the then market price of the Shares and the recent market conditions. To assess the fairness and reasonableness of the Subscription Price, we conducted the following analysis:

(i) Analysis on historical Share price performance

To assess the fairness and reasonableness of the Subscription Price, we have reviewed the movements in the closing price per Share during the period from 1 May 2025, being 12 months immediately preceding the date of the Subscription Agreements, up to and including the Latest Practicable Date (the "**Review Period**"), which is a commonly adopted timeframe for similar share price analysis. We consider that a period of 12 months is adequate and long enough to illustrate the recent price movements and covered the seasonal factors of the Shares for conducting a reasonable comparison between the Subscription Price and the closing price of the Shares for assessing the fairness and reasonableness of the Subscription Price.

Share price chart during the Review Period



Source: www.hkex.com.hk

As illustrated in the above chart, the closing price per Share ranged from HK$0.14 (30 April 2025) and HK$1.00 (20 May 2024) during the Review Period. Since the commencement of the Review Period, the closing price per Share has largely demonstrated a general downward trend.

For information purposes only, the Group recorded a decrease in revenue of approximately 27.5% and losses of over HK$40 million for FY2024 according to the annual results announcement published in or around June 2024, i.e. towards the beginning of the Review Period. Subsequently, the interim results announcement was published by the Company in late November 2024, which set out that the revenue of the Group for the six months ended 30 September 2024 decreased by approximately 33.9% with the loss for the subject six months period further deteriorated. Such financial results coupled with an overall thin trading volume of the Shares as analysed under section headed "(ii) Historical trading liquidity of Shares" had coincided with the general downward trend during the Review Period.

More recently, the closing price per Share on the trading day immediately following the publication of the interim results announcement (i.e. 2 December 2024) was HK$0.66. The interim results announcement for the six months ended 30 September 2024 set out that the Group's revenue decreased to approximately HK$18.7 million and loss for the period attributable to owners of the Company increased to approximately HK$17.9 million. It is noted that the closing price per Share of HK$0.66 on 2 December 2024 decreased to the closing price per Share of HK$0.14 on the Last Trading Day.

Furthermore, we noted that the closing price per Share surged after the publication of the Announcement from HK$0.140 on the Last Trading Day to HK$0.295 on 23 May 2025, being the trading day immediately following the date of the Announcement, representing an increase of approximately 110.7%. We have discussed with the Management and the Company has confirmed that, save for the information as set out in the Announcement, they are not aware of any information which may cause the notable increase in Share price. As such, the increase in Share price after the publication of the Announcement may be attributable to the market reaction to the transactions as set out in the Announcement, including the Subscriptions and the Rights Issue.

The closing price per Share on the trading day immediately following the publication of the Annual Results 2024/25 (i.e. 7 July 2025) was HK$0.325. The Annual Results 2024/25 set out that the Group's revenue decreased to approximately HK$38.9 million and loss for the year attributable to owners of the Company increased to approximately HK$67.8 million for the year ended 31 March 2025. It is noted that the closing price per Share of HK$0.140 on the Last Trading Day increased to the closing price per Share of HK$0.325 on 7 July 2025. We have discussed with the Management and the Company has confirmed that, save for the information as set out in the announcement of the Company dated 3 July 2025 regarding the Settlement Deed and the change in intended use of proceeds and the Annual Results 2024/25 dated 4 July 2025, they are not aware of any information which may cause the notable increase in Share price.

Although the Subscription price was lower than the closing price per Share during the Review Period, we considered that the Subscription Price should be evaluated together with the factors including the latest published financial position and historical loss-making financial performance of the Group, the reasons and benefits of the Subscriptions.

(ii) Historical trading liquidity of Shares

We have reviewed the historical trading volume of the Shares during the Review Period. The number of days with trading, average daily trading volume of the Shares and the percentages of daily trading volume of the Shares as compared to the total number of issued Shares during the Review Period are shown in the table below.

Month/period	**Number of trading days**	**Average daily number of Shares traded per trading days in the month/period**	**% of average daily number of Shares traded to the total number of Shares in issue** *(Note 1)*
2024			
May	21	3,812,279	0.80%
June	19	3,787,200	0.79%
July	22	2,958,730	0.60%
August	22	843,700	0.17%
September	19	1,183,320	0.24%
October	21	677,226	0.14%
November	21	1,071,446	0.22%
December	20	1,986,217	0.40%

2025			
January	19	1,675,058	0.34%
February	20	1,202,791	0.24%
March	21	538,390	0.11%
April	19	326,453	0.07%
May *(Note 2)*	6	12,471,720	2.54%
June	21	941,719	0.19%
July *(up to and including the Latest Practicable Date)*	16	1,113,620	0.23%
Average			0.47%
Maximum			2.54%
Minimum			0.07%

Source: www.hkex.com.hk

Notes:

(1) Calculated based on the total number of the Shares in issue at the end of month/period, where applicable.

(2) Trading of Shares was suspended on 2 May 2025 and trading of Shares was resumed on 23 May 2025, representing 14 trading days.

As set out in the table above, during the Review Period, the percentage of average daily trading volume of the Shares by month/period were in the range of approximately 0.07% to approximately 2.54%, with an average of approximately 0.47% as to the total number of issued Shares.

During the period before the trading of Shares suspended on 2 May 2025, the above statistics indicated that the trading liquidity of the Shares has been low in the open market and the percentage in average daily number of Shares traded to the total number of Shares in issue showing a downward trend from approximately 0.80% in May 2024 to approximately 0.07% in April 2025. Therefore, it is unlikely for the Company to be able to raise fund by issuing new Shares without discount. Although the Subscription Price represents a discount to the closing price of HK$0.140 per Share as quoted on the Stock Exchange on the Last Trading Day, the Subscription Price represents a premium to the net asset value attributable to the Shareholders. On this basis and having considered the financial performance and financial conditions of the Group as analysed under the section headed "1. INFORMATION OF THE GROUP" in this letter, we are of the view that the discount to the closing price of the Shares as represented by the Subscription Price is fair and reasonable.

We noted that the average daily trading volume of the Shares by month increased significantly from approximately 0.07% in April 2025 to approximately 2.54% in May 2025. Such increase was mainly driven by the notably higher trading volume after the publication of the Announcement. In this connection, we have discussed with the Management and the Company has confirmed that, save for the information as set out in the Announcement, they are not aware of any information which may cause the notable increase in trading volume of the Shares in May 2025. As such, the increase in the trading volume of the Shares after the publication of the Announcement may be attributable to the market reaction to the transactions as set out in the Announcement, including the Subscriptions and the Rights Issue.

(iii) Trading multiple analysis of P/S Ratio and P/B Ratio

With a view to supplementing the above work performed and analysis, we have also conducted analysis on the trading multiples of the Company to further support our findings on the fairness and reasonableness of the Subscription Price. In this connection, we have considered (a) the implied price-to-earnings ratio (the "**P/E Ratio**"); and (b) the implied price-to-book ratio (the "**P/B Ratio**") of the Company, as calculated based on the Subscription Price. However, as the Group recorded a loss attributable to its owners for the year ended 31 March 2024 and 2025, P/E Ratio analysis is therefore not applicable. On this basis, as an alternative analysis to the P/E Ratio analysis and with a view to providing more tailored analysis for loss making companies, we have included the price-to-sales ratio (the "**P/S Ratio**"), being a valuation benchmark for loss-making companies, as part of our analysis.

In this connection, having considered the principal businesses of the Group, namely (a) medical equipment and consumables distribution and service business; and (b) hospital operation and management services business, which together represent its core revenue streams, and the market capitalisation of the Company as at the Last Trading Day, we have set the following criteria to select comparable companies for the purpose of our analysis, namely (a) shares of the companies being listed and traded on the main board of the Stock Exchange (the "**Main Board**") as at the date of the Announcement, excluding those with suspended trading; (b) to avoid unduly distortions to the P/S Ratio given its sensitivity to the revenue size, revenue of the selected listed companies should not be more than HK$300 million given the Group's revenue was in the region of HK$60 million and HK$40 million for the years ended 31 March 2024 and 2025, respectively, so as to ensure sample is representative and relevant; (c) over 50% of the selected listed companies' revenue for their most recent financial year shall be generated from the sales of medical equipment and/or consumables and/or the provision of hospital operations and/or medical services; and (d) based on the closing share price on the Last Trading Day, the market capitalisation of the selected listed companies shall not be more than HK$200 million, compared with the Company's implied market capitalisation (the "**Implied Market Capitalisation**") of approximately HK$49.2 million, calculated based on the Subscription Price of HK$0.10 and the number of issued Shares as at the Latest Practicable Date (i.e. 491,644,763 Shares) (together the "**Comparable Companies Criteria**"). We have conducted our market comparables analysis using the Implied Market Capitalisation, calculated based on the Subscription Price of HK$0.10. This analysis enables us to evaluate the fairness and reasonableness of the Subscription Price by comparing the P/B Ratio and the P/S Ratio of the Company under the Implied Market Capitalisation against those of the Trading Multiple Comparable Companies (defined hereinafter). The reasons for adopting P/B Ratio and P/S Ratio as valuation benchmarks are set out in the first paragraph under this sub-section headed "(iii) Trading multiple analysis of P/S Ratio and P/B Ratio" above.

Based on the aforesaid Comparable Companies Criteria and our searches conducted on a best effort basis on the website of the Stock Exchange, we have identified two companies (the "**Trading Multiple Comparable Company(ies)**"), which meet our Comparable Companies Criteria and they are exhaustive. Although no discount rate was applied as a result of the difference in the principal business and the market capitalisation, as all of the Trading Multiple Comparable Companies derived a majority of its revenue, i.e. over 50%, from the sales of medical equipment and/or consumables, provision of hospital operations and/or medical services for its latest completed financial year, which operated broadly under a similar industry, thus the Trading Multiple Comparable Companies shared many similarities and are considered to be appropriate for comparison purposes. On this basis, we considered the Trading Multiple Comparable Companies to be an appropriate benchmark for the purpose of evaluating and assessing the reasonableness of the implied P/S Ratio and implied P/B Ratio under the Subscriptions.

The financial information available as at the Last Trading Day was used to calculate the subject P/B Ratios and P/S Ratios for comparison purposes in the table below as the Subscription Price was determined with reference to the then available financial information of the Company as at the Last Trading Day. To ensure consistency, the same benchmark, i.e. the Last Trading Day, was adopting for calculating the P/B Ratio and P/S Ratio for the Trading Multiple Comparable Companies. Nonetheless, it is noted that the Group recorded net liabilities attributable to its owners as at 31 March 2025, in contrast to equity attributable to its owners as at 30 September 2024. In addition, the Group recorded a lower revenue for the year ended 31 March 2025 (the "**FY24/25 Revenue**") as compared to the year ended 31 March 2024. This further supports the fairness and reasonableness of the Subscription Price as the P/S Ratio would have been even higher had the FY24/25 Revenue been used in the calculation. The deterioration in the Group's consolidated financial position as at 31 March 2025, together with its FY2025 financial performance, also demonstrated the genuine funding needs of the Group. It also showed the importance of the net proceeds from Subscription Agreements and the Rights Issue, the intended use of which is set out under the section headed "3. REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS AND THE RIGHT ISSUES AND USE OF PROCEEDS" in this letter.

Set out below are the P/S Ratio and P/B Ratio of the Trading Multiple Comparable Companies:

Company name (Stock code)	Principal business	Market capitalisation as at the date of Subscription Agreement	Revenue from the respective latest financial year	P/S Ratio on the Last Trading Day *(Note 1)*	P/B Ratio on the Last Trading Day *(Note 2)*
		Approximately (HK$' million)	*Approximately (HK$' million)*	*Approximately (times)*	*Approximately (times)*
Raily Aesthetic Medicine International Holdings Limited (**"Raily Aesthetic Medicine"**) (2135)	Provision of aesthetic medical services, sale of aesthetic medical equipment products and provision of consulting services	64.1	213.3 (approximately 99.9% from the provision of medical services and sales of medical products)	0.30	0.57
Wanjia Group Holdings Limited ("**Wanjia**") (401)	Principally engage in business on pharmaceutical wholesale and distribution business, and hemodialysis treatment and consultancy service business in the PRC	39.8	181.1 (100% from the provision of medical services and pharmaceutical wholesale)	0.22	0.52
Average				0.26	0.55
The Company (based on the Subscription Price)		49.2		0.82 *(Note 3)*	1.12 *(Note 4)*

Source: The website of Stock Exchange.

Note 1. The P/S Ratio of the Trading Multiple Comparable Companies on the Last Trading Day were calculated as their closing price as quoted on the Stock Exchange as at the Last Trading Day divided by their revenue per share which were calculated based on the then latest published revenue for the year as at the Last Trading Day and the total issued shares of the company as at the Last Trading Day.

Note 2. The P/B Ratio of the Trading Multiple Comparable Companies on the Last Trading Day were calculated as their closing prices as quoted on the Stock Exchange as at the Last Trading Day divided by their net asset value per share which were calculated based on the then latest published net assets attributable to owners of the company as at the Last Trading Day and the total issued shares of the company as at the Last Trading Day.

Note 3. The implied P/S Ratio of the Company was calculated as the Subscription Price divided by its revenue per Share which were calculated based on the then latest published revenue for the year available as at the Last Trading Day (i.e. the year ended 31 March 2024) and the total issued Shares as at the Last Trading Date.

Note 4. The implied P/B Ratio of the Company was calculated as the Subscription Price divided by its net asset value per Share which were calculated based on the then latest published net assets attributable to owners of the company available as at the Last Trading Day (i.e. as at 30 September 2024) and the total issued Shares as at the Last Trading Date.

Note 5. The exchange rate was based on HK$1.07 = RMB1.00.

We noticed from the above table that (a) the P/S Ratio of the Trading Multiple Comparable Companies was approximately 0.22 times (Wanjia) and 0.30 times (Raily Aesthetic Medicine), with an average of approximately 0.26 times (the "**Comparable P/S Ratio(s)**"); and (b) the P/B Ratio of the Trading Multiple Comparable Companies was approximately 0.52 times (Wanjia) and 0.57 times (Raily Aesthetic Medicine), with an average of approximately 0.55 times (the "**Comparable P/B Ratio(s)**"). Although only two Trading Multiple Comparable Companies have been identified, both were selected based on and satisfied the Comparable Companies Criteria, which has been set with relevance to the characteristics of the Group. Given that the Trading Multiple Comparable Companies represent an exhaustive list of comparable companies listed on the Main Board that meet the selection criteria, we are of the view that the Trading Multiple Comparable Companies are fair and representative for the purpose of our analysis.

Based on our analysis above, in particular, (a) the Subscription Price of HK$0.10 represents an implied P/S Ratio of approximately 0.82 times, which is higher than the P/S Ratio of Wanjia of approximately 0.22 times and the P/S Ratio of Raily Aesthetic Medicine of approximately 0.30 times; and (b) the implied P/B Ratio under the Subscriptions of approximately 1.12 times is higher than the P/B Ratio of Wanjia of approximately 0.52 times and the P/B Ratio of Raily Aesthetic Medicine of approximately 0.57 times, supports that the Subscription Price, which is further analysed below, is fair and reasonable.

Having considered the following factors, namely:

(a) the imminent funding needs of the Group and restrictions of the alternative fund-raising methods as set out under the section headed "3. REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS AND THE RIGHTS ISSUE AND USE OF PROCEEDS" as well as the latest published financial position and performance of the Group;

(b) the liquidity of the Shares was thin in the open market during the Review Period as analysed under the section headed "(ii) Historical trading liquidity of Shares" in this letter, which indicates limited trading activities and interests of the Shares;

(c) the implied P/S Ratio is higher than both of the Comparable P/S Ratios, being approximately 0.22 times (Wanjia) and approximately 0.30 times (Raily Aesthetic Medicine) and the implied P/B Ratio is also higher than both of the Comparable P/B Ratios, being approximately 0.52 times (Wanjia) and approximately 0.57 times (Raily Aesthetic Medicine), please refer to the section headed "(iii) Trading multiple analysis of P/S Ratio and P/B Ratio" in this letter above for further details;

(d) there is no other suitable financing alternatives and fund raising alternatives practicably available as discussed under the section headed "3. REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS AND THE RIGHT ISSUES AND USE OF PROCEEDS" in this letter;

(e) the Rights Issue provides the Independent Shareholders with the rights but not the obligation to participate in the fundraising exercise, at the Issue Price, being the same price as the Subscription Price, which partially alleviates the dilutive effect of the Subscriptions on the Qualifying Shareholders; and

(f) the Group has recorded net losses for six consecutive financial years ended 31 March 2025, approximately HK$35.8 million for the year ended 31 March 2020, approximately HK$6.6 million for the year ended 31 March 2021, HK$9.1 million for the year ended 31 March 2022, HK$39.6 million for the year ended 31 March 2023, HK$42.5 million for the year ended 31 March 2024 and HK$67.8 million for the year ended 31 March 2025,

we are of the view that the Subscription Price is fair and reasonable and the discount on the Subscription Price to the prevailing market value of the Shares is fair and reasonable.

(iv) Our view on the Subscription Price

Although the Subscription price represents a discount to the closing Share price as quoted on the Stock Exchange on the Last Trading Day and the Latest Practicable Date respectively, as detailed under the section under "5. THE SUBSCRIPTIONS – Subscription Price" in this letter (together, the "**Subscription Price Discounts**"), having considered the factors as set out below (the "**Subscription Price Factors**"):

(a) our work and analysis as set out under the section headed "4. OUR ANALYSIS ON THE GROUP'S FINANCING NEEDS AND FINANCING ALTERNATIVES" in this letter, in particular, (aa) the net debt position of the Group as at 31 March 2025; (bb) the Group's net cash used in operating activities of approximately HK$6.8 million for the year ended 31 March 2025, translating into an average monthly operating cash outflow of approximately HK$0.6 million (the "**Monthly Operating Cash Outflow**"); (cc) the Group's cash and bank balances amounted to approximately HK$1.0 million as at 31 March 2025, representing only approximately 1.7 times the Monthly Operating Cash Outflow; (dd) the outstanding Judgment Debt of US$4 million (equivalent to approximately HK$31.2 million), which remained unpaid following the Court of Appeal's ruling; (ee) the Settlement Note of HK$12.0 million; and (ff) the Disclaimer of Opinion for the consolidated financial statements of the Company for FY2025.

Thus, the Group is facing liquidity pressure and has genuine funding needs. The estimated net proceeds of approximately HK$80.9 million from the Subscriptions and the Rights Issue are intended to be applied in the manner as set out under the section headed "USE OF PROCEEDS" in the Letter from the Board:

(b) our analysis on the financing alternatives, including the feasibility of additional bank borrowings, equity fundraising and restructuring plans, considered by the Management, but were assessed to be unfeasible and the reasons thereof;

(c) Subscriber A emerged as the investor who is prepared to provide immediate capital support and the negotiations led to the formulation of the Proposal, comprising the proposed Subscriptions, Rights Issue and Placing, which the Board considers to be a necessary and strategic financial restructuring to address both the Group's liquidity needs and long-term business sustainability;

(d) the Subscribers are the only potential investors who are willing to subscribe for the Subscription Shares at the Subscription Price and is acceptable to the Proposal, which involves the Rights Issue, which provides the Qualifying Shareholders with an opportunity to participate in the fundraising exercise at the same Subscription Price as the Subscribers;

(e) the Group has recorded net losses for six consecutive financial years ended 31 March 2020, 2021, 2022, 2023, 2024 and 2025;

(f) the implied P/S Ratio under the Subscriptions is higher than both of the Comparable P/S Ratios, being approximately 0.22 times (Wanjia) and approximately 0.30 times (Raily Aesthetic Medicine);

(g) the implied P/B Ratio under the Subscriptions is higher than both of the Comparable P/B Ratios, being approximately 0.52 times (Wanjia) and approximately 0.57 times (Raily Aesthetic Medicine);

(h) the Group intends to utilise over 95% of net proceeds from the Subscriptions and the Rights Issue, representing approximately HK$77.3 million, for the settlement of the Group's liabilities, including the Judgement Debt, the Settlement Note, loans and overdue salaries and professional fees, with the remaining net proceeds intended for the working capital of the Group; and

(i) the Subscription Price was determined after arm's length negotiations between the Company and the Subscribers with reference to the factors as set out in the Letter from the Board,

we are of the view that the Subscriptions are in the interests of the Company and the Independent Shareholders as a whole and that the Subscription Price is fair and reasonable.

7. PROPOSED RIGHTS ISSUE, THE PLACING AGENT AGREEMENT AND THE UNDERWRITING AGREEMENT

The Company proposes to implement the Rights Issue on the basis of three (3) Rights Shares for every ten (10) Shares held by the Qualifying Shareholders on the Record Date at the Issue Price of HK$0.1 per Rights Share.

(i) Background information of the Rights Issue

The principal terms of the Rights Issue are set out below:

Basis of the Rights Issue:	Three (3) Rights Shares for every ten (10) Shares held by the Qualifying Shareholders at the close of business on the Record Date
Issue Price:	HK$0.1 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	491,644,763 Shares
Maximum number of Rights Shares to be issued pursuant to the Rights Issue:	149,848,428 Rights Shares (assuming that 7,850,000 new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options not subject to the Optionholders' Undertakings, but otherwise no other Shares are issued or repurchased on or before the Record Date)
Minimum number of Rights Shares to be issued pursuant to the Rights Issue:	147,493,428 Rights Shares (assuming there being no new issue or repurchase of Shares on or before the Record Date)
Maximum enlarged issued share capital upon completion of the Subscription and the Rights Issue:	1,349,343,191 Shares (assuming 7,850,000 new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options not subject to the Optionholders' Undertakings, but otherwise no other Shares are issued or repurchased immediately before the completion of the Subscriptions and the Rights Issue)
Minimum enlarged issued share capital upon completion of the Subscriptions and Rights Issue:	1,339,138,191 Shares (assuming no new Shares are issued or repurchased immediately on or before the completion of the Subscriptions and the Rights Issue)

The Rights Issue and the Underwriting Agreement are subject to conditions precedent including, among others, each of the Subscription Agreement A and the Placing Agent Agreement having become unconditional and not terminated pursuant to the terms thereof. Further details of the conditions precedent of the Rights Issue and the Underwriting Agreement are set out in the paragraph headed in the paragraph headed “Conditions of the Rights Issue and the Underwriting Agreement” in the section headed “The Underwriting Agreement” in the Letter from the Board.

As at the Latest Practicable Date, there were outstanding Share Options carrying the right to subscribe for a total number of 19,050,000 new Shares at an exercise price of HK$1.8 per Share (subject to adjustments), of which 6,850,000 Share Options exercisable from 27 April 2020 to 25 April 2029 (both dates inclusive) and 12,200,000 Share Options exercisable from 21 October 2020 to 20 October 2030 (both dates inclusive) granted and exercisable under the Share Option Scheme. Save for the foregoing, there are no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares.

As at the Latest Practicable Date, the Undertaken Optionholders held the Share Options which entitle them to subscribe for an aggregate of 11,200,000 new Shares. The Undertaken Optionholders have executed the Optionholders’ Undertakings in favour of the Company and the Underwriter in respect of the Share Options entitling them to subscribe for a total of 11,200,000 new Shares, pursuant to which each of them has irrevocably undertaken not to exercise any of the Share Options which have been granted to each of them from the date of the Optionholders’ Undertakings until the Record Date (both dates inclusive).

Assuming 7,850,000 new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options not subject to the Optionholders’ Undertakings, but otherwise no other Shares are issued or are repurchased on or before the Record Date, the maximum number of 149,848,428 Rights Shares represents approximately 30.5% of the total number of the existing issued Shares of 491,644,763 as at the Latest Practicable Date and approximately 11.1% of the issued Shares as enlarged by the allotment and issue of all the Subscription Shares and the Rights Shares immediately upon completion of the Subscriptions and the Rights Issue.

The Issue Price for the Rights Issue represents a discount of approximately 23.7% to the theoretical ex-rights price of approximately HK$0.131 based on the closing Share price of HK$0.140 per Share as quoted on the Stock Exchange on the Last Trading Day. Assuming no new Shares are issued and no Shares are repurchased on or before the Record Date, the minimum number of 147,493,428 Rights Shares represents 30.0% of the total number of the existing issued Shares as at the Latest Practicable Date and approximately 11.0% of the total number of the issued Shares as enlarged by the allotment and issue of the Subscription Shares and the Rights Shares immediately upon completion of the Subscriptions and the Rights Issue.

The Issue Price

The Issue Price of HK$0.1 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Issue Price for the Rights Issue was determined by the Company with reference to the Subscription Price paid by the Subscribers for the Subscription Shares. The equal pricing for Rights Issue can ensure that the Qualifying Shareholders can participate at the same price as the Subscribers. This helps partially alleviate the dilutive effect of the Subscriptions on the Qualifying Shareholders. On this basis, the Directors consider the Issue Price for the Rights Issue to be fair and reasonable and in the interests of the Company and its Shareholders as a whole. Details of our analysis of the Subscription Price, please refer to the section headed "6. ANALYSIS OF THE SUBSCRIPTION PRICE" in this letter.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* in all respects with the Shares then in issue, including the right to receive all dividends and distributions which may be declared, made or paid with a record date which falls on or after the date of allotment of the Rights Shares in their fully-paid form.

Deed of Covenants and Undertaking

As at the Latest Practicable Date, Mr. Zhang was interested in an aggregate of 137,299,400 Shares (representing approximately 27.9% of the entire issued share capital of the Company as at the Latest Practicable Date), of which 1,307,400 Shares were held by him and 135,992,000 Shares were held by the Underwriter, a company wholly owned by him.

Pursuant to the Deed of Covenants and Undertaking,

(a) Mr. Zhang unconditionally and irrevocably undertakes to the Company, (aa) to subscribe for 392,220 Rights Shares which represent the full amount of provisional entitlements in respect of the 1,307,400 Shares beneficially held by Mr. Zhang; (bb) to procure subscription for 40,797,600 Rights Shares which represent the full amount of provisional entitlements in respect of the 135,992,000 Shares beneficially held by the Underwriter; (cc) not to and will procure the Underwriter not to dispose of, or agree to dispose of, any of the 1,307,400 Shares and 135,992,000 Shares owned by Mr. Zhang and the Underwriter, respectively, and such Shares will remain beneficially owned by Mr. Zhang and the Underwriter, respectively, up to and including the Record Date; and (dd) to and to procure the Underwriter to lodge or procure the subscription of the 392,220 Rights Shares and 40,797,600 Rights Shares, respectively, which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to Mr. Zhang and the Underwriter, respectively, under the Rights Issue, with the Registrar.

(b) the Underwriter unconditionally and irrevocably undertakes to the Company: (aa) to subscribe for the full amount of provisional entitlements in respect of the 135,992,000 Shares beneficially held by the Underwriter; (bb) not to dispose of, or agree to dispose of, any of the 135,992,000 Shares owned by the Underwriter, and such Shares will remain beneficially owned by the Underwriter, respectively, up to and including the Record Date; and (cc) to lodge the subscription of the 40,797,600 Rights Shares, which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to the Underwriter, under the Rights Issue, with the Registrar.

Save for the Deed of Covenants and Undertaking, the Company had not received any information or irrevocable undertaking from any other Shareholder of his/her/its intention in relation to the Rights Shares (in both nil-paid and fully-paid forms) to be provisionally allotted to him/her/it under the Rights Issue as at the Latest Practicable Date.

For further details of the terms and conditions of the Rights Issue, please refer to the paragraph headed "PROPOSED RIGHTS ISSUE" in the Letter from the Board.

Having considered that (a) our work and analysis as set out under the section headed "4. OUR ANALYSIS ON THE GROUP'S FINANCING NEEDS AND FINANCING ALTERNATIVES" in this letter, including the net debt position, the Monthly Operating Cash Outflow and the cash position of the Group as at 31 March 2025 and the Judgment Debt, demonstrating the fact that the Group is facing liquidity pressure and has genuine funding needs; (b) the Issue Price for the Rights Issue was determined with reference to the Subscription Price paid by the Subscribers for the Subscription Shares, which offers the equal pricing for Rights Issue to ensure that the Qualifying Shareholders can participate at the same price as the Subscribers which helps partially alleviate the dilutive effect of the Subscriptions on the Qualifying Shareholders; and (c) the our work and analysis on the Trading Multiple Comparable Companies which supports our view that the Subscription Price, being equivalent to the Issue Price, is fair and reasonable; (d) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and that the Qualifying Shareholders have their choice of whether to accept the Rights Issue or not; and (e) the inherent dilutive nature of rights issue in general if the existing Shareholders do not subscribe in full for their assured entitlements, the Directors consider and we concur that the Issue Price for the Rights Issue to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

(ii) The Placing Agent Agreement

On 30 April 2025 (after trading hours), the Company and the Placing Agent, being independent third party of and not acting in concert with the Underwriter, the Subscribers and their respective parties acting in concert with any of them, entered into the Placing Agent Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares.

Date:	30 April 2025 (after trading hours) and as supplemented by an amendment deed dated on 22 May 2025
Placing agent:	Great Bay Securities Limited was appointed as the placing agent to place, or procure the placing of, a maximum of 108,658,608 Unsubscribed Rights Shares, on a best effort basis, to the Placee(s). The Placing Agent was interested in 804,000 Shares as at the Latest Practicable Date, representing approximately 0.16% of the total number of existing issued Shares. It acted as overall coordinator and placing agent for a top-up placing of the Company under general mandate in July 2024, details of which are set out in the announcements of the Company dated 8 July 2024 and 17 July 2024. The Placing Agent has confirmed that it is an independent third party of and not acting in concert with the Underwriter, the Subscribers and their respective parties acting in concert with them.
Placing commission payable to the Placing Agent:	2% of the gross proceeds from successful placements of Unsubscribed Rights Shares.
Placing price of the Unsubscribed Rights Shares:	The placing price of the Unsubscribed Rights Shares shall be not less than the Issue Price. The final price will be determined based on the demand for and market conditions of the Unsubscribed Rights Shares during the Placing.

The terms of the Placing Agent Agreement (including the placing commission) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue and the then market rate of commission and are on normal commercial terms and the Directors consider that the terms of the Placing Agent Agreement are fair and reasonable. Given that the Compensatory Arrangements would provide a compensatory mechanism for the No Action Shareholders, the Directors consider that the Compensatory Arrangements are in the interests of the Independent Shareholders.

For further details of the terms and conditions of the Placing Agent Agreement, including the information on the Placees, ranking of the Unsubscribed Rights Shares, Placing conditions and period, please refer to the paragraph headed "THE PLACING AGENT AGREEMENT" in the Letter from the Board. As the Placing Agent is a Shareholder and the Placing Agent Agreement was not extended to all other Shareholders, the Placing Agent Agreement and the transactions contemplated thereunder constitute a special deal under Rule 25 of the Takeovers Code, and are subject to (i) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll; and (ii) the consent of the Executive. Further details regarding the implications of the Takeovers Code are set out in the section headed "TAKEOVERS CODE IMPLICATIONS, APPLICATION FOR WHITEWASH WAIVER AND SPECIAL DEALS" in the Letter from the Board.

Our analysis on the Placing Agent Agreement

As set out in the Letter from the Board, pursuant to the Compensatory Arrangements, the Company will process arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to the Placees for the benefit of the relevant No Action Shareholders to whom they were offered under the Rights Issue and the Non-Qualifying Shareholders. Pursuant to the Placing Agent Agreement, a Placing commission of 2% of the gross proceeds from successful placements of Unsubscribed Rights Shares shall be payable by the Company to the Placing Agent.

In this connection, we have conducted market research on placing agent agreements entered into under the subject rights issue as part of the compensatory arrangements pursuant to the Listing Rule 7.21(b), conducted by other Main Board listed companies, the date of the subject announcement falls within the three months period immediately prior the Latest Practicable Date (the "**Placing Criteria**"). Based on the Placing Criteria, we have identified an exhaustive sample of eight rights issue with placing as part of the compensatory arrangements ("**Placing Comparable Companies**"), details of which are set out below:

Date of announcement	Company name (Stock Code)	Basis of entitlement	Rights issue price *(HK$)*	Gross proceeds raised *(HK$' million)*	Available compensatory arrangements under Listing Rule 7.21(1)(2) provided to the shareholders	Placing commission	Underwriter is a connected person to the Company	Theoretical dilution effect *(%)*
15 May 2025	Zhongzheng International Company Limited *(943)*	1 for 2	0.20	114.6	Placing and Underwriting	2.0% of the gross proceeds from the successful placement of the unsubscribed rights shares	Yes	Nil *(Note 2)*
13 May 2025	Capital Realm Financial Holdings Group Limited *(204)*	3 for 1	1.00	155.7	Placing	3.0% of the gross proceeds from the successful placement of unsubscribed and unsold rights shares	N/A *(Note 1)*	No *(Note 2)*
9 May 2025	China Sci-Tech Industrial Investment Group Limited *(339)*	1 for 2	0.07	10.08	Placing	1.5% of the gross proceeds from the successful placement of unsubscribed and unsold rights shares	N/A *(Note 1)*	16.2
7 May 2025	SEEC Media Group Limited *(205)*	1 for 2	0.11	40.5	Placing	(i) HK$100,000; or (ii) 3.0% of the gross proceeds from the successful placement of unsubscribed and unsold rights shares, whichever is higher	N/A *(Note 1)*	10.7

Date of announcement	Company name (Stock Code)	Basis of entitlement	Rights issue price *(HK$)*	Gross proceeds raised *(HK$' million)*	Available compensatory arrangements under Listing Rule 7.21(1)(2) provided to the shareholders	Placing commission	Underwriter is a connected person to the Company	Theoretical dilution effect *(%)*
16 April 2025	Bonjour Holdings Limited *(653)*	3 for 1	0.08	107.5	Excess application and placing	2.0% of the gross proceeds from the successful placement of unsubscribed rights shares	N/A *(Note 1)*	20.95
7 March 2025	Volcano Spring International Holdings Limited *(1715)*	3 for 1	0.25	88.4	Placing	1.0% of the gross proceeds from the successful placement of unsubscribed rights shares	N/A *(Note 1)*	No *(Note 2)*
18 February 2025	China Baoli Technologies Holdings Limited *(164)*	4 for 1	0.40	202.5	Excess application and placing	1.0% of the gross proceeds from the successful placement of unsubscribed rights shares	N/A *(Note 1)*	No *(Note 2)*
14 February 2025	Yues International Holdings Group Limited *(1529)*	4 for 1	0.13	69.4	Placing	(i) HK$100,000; or (ii) 1.0% of the gross proceeds from the successful placement of unsubscribed rights shares, whichever is higher	N/A *(Note 1)*	21.47
					Maximum	3.0%		
					Minimum	1.0%		

Date of announcement	Company name (Stock Code)	Basis of entitlement	Rights issue price	Gross proceeds raised	Available compensatory arrangements under Listing Rule 7.21(1)(2) provided to the shareholders	Placing commission	Underwriter is a connected person to the Company	Theoretical dilution effect
			(HK$)	*(HK$' million)*				(%)
					Average	1.8%		
					Median	1.8%		
	The Company ***(based on the Placing Agent Agreement)***	3 for 10				2.0%		

Source: The website of Stock Exchange

Note 1. The respective rights issue was conducted on a non-underwritten basis.

Note 2. Based on the announcement of the subject rights issue, the issue price under the subject rights issue was equivalent to or higher than the benchmark price, thus there are nil or no theoretical dilution effect.

As set out in the table above, we noted that the placing commission of the Placing Comparable Companies ranged from 1.0% to 3.0%, with both the average and median being approximately 1.8%. Pursuant to the terms of the Placing Agent Agreement, the Placing Agent shall be entitled to a commission fee equal to 2.0% of the gross proceeds from successful placements of Unsubscribed Rights Shares, such is within the range of the Placing Comparable Companies although higher than the average and median of the Placing Comparable Companies, being 1.8%, is considered to be aligned with the prevailing market practice. In view of (a) the Company is required to arrange arrangements to dispose of securities not subscribed by allottees under provisional letters of allotment or their renouncees by offering the securities to independent placees for the benefit of the persons to whom they were offered by way of rights (i.e. the Placing) as required by Rule 7.21(1)(b) of the Listing Rules; (b) the placing of the Unsubscribed Rights Shares by the Placing Agent, may be placed to independent placees under the Compensatory Arrangements, provides a distribution channel of the Unsubscribed Rights Shares for the Company and expand the Shareholders' base of the Company; (c) the No Action Shareholders could potentially benefit from the Net Gain arrangement; (d) the expenses of the Placing (i.e. the placing commission at 2%) payable by the Company under the Placing Agent Agreement is considered to be aligned with the prevailing market practice; (e) the Placing Agent is a corporation licensed to carry out Type 1 (dealing in securities) regulated activities under the SFO and the Placing will be supervised by the responsible officer(s) of the Placing Agent; (f) the Placing Agent is an independent third party of and not acting in concert with the Company, the Underwriter, the Subscribers and their respective parties acting in concert with any of them; and (g) the Placing Agent has been a licensed corporation under the SFO for more than 10 years and was successfully in completing a placement of Shares for the Company with net proceeds of approximately HK$9.8 million in 2024, please refer to the section headed "FUNDRAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS" in the Letter from the Board for further details, the Directors are of the view and we concur that the terms of Placing Agent Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company as far as the Independent Shareholders are concerned.

(iii) The Underwriting Agreement

The Rights Shares (other than those agreed to be taken up by Mr. Zhang and the Underwriter pursuant to the Deed of Covenants and Undertaking) will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement. The principal terms and conditions of the Underwriting Agreement are set out below:

Date:	30 April 2025 (after trading hours)
Underwriter:	The Underwriter is Treasure Wagon Limited, a substantial Shareholder interested in 135,992,000 Shares. The Underwriter is wholly owned by Mr. Zhang, the Chairman and an executive Director, who is directly interested in 1,307,400 Shares. As such, the Underwriter complies with Rule 7.19(1)(b) of the Listing Rules. The Underwriter is an investment holding company and does not engage in securities underwriting as part of its ordinary course of business.
Number of Rights Shares underwritten by the Underwriter:	Up to 108,658,608 Rights Shares, being the maximum number of Rights Shares (assuming 7,850,000 new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding exercisable Share Options not subject to the Optionholders' Undertakings, but otherwise no other Shares are issued or repurchased on or before the Record Date) and no less than 106,303,608 Rights Shares, being the minimum number of Rights Shares under the Rights Issue, and in both cases, excluding the Rights Shares undertaken to be taken up by Mr. Zhang and the Underwriter pursuant to the Deed of Covenants and Undertaking).
Underwriting Commission:	nil

Subject to the fulfilment and/or waiver (as the case may be) of the conditions precedent of the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms of the Underwriting Agreement, the Underwriter has agreed to subscribe for the Untaken Rights Shares (being any Unsubscribed Rights Shares that are not successfully placed by the Placing Agent under the Placing Agent Agreement).

For further details of the terms and conditions of the Underwriting Agreement, please refer to the paragraph headed "THE UNDERWRITING AGREEMENT" in the Letter from the Board.

Our analysis on the Underwriting Agreement

As disclosed in the Letter from the Board, no underwriting commission is payable by the Company. However, the Underwriter has to pay for the Subscription Price per Share if the Underwriter takes up the Unsubscribed Rights Shares.

Having considered that the low liquidity of the Shares as mentioned under the section headed "6. ANALYSIS OF THE SUBSCRIPTION PRICE – (ii) Historical trading liquidity of Shares" and the deteriorating financial position of the Group as mentioned under the section headed "1. INFORMATION OF THE GROUP" in this letter, we are of the view that the Company is unlikely to obtain positive feedback from independent financial institutions in acting as an underwriter of the Company on fully-underwritten basis for the Rights Shares at the commission rate under the Underwriting Agreement.

Assuming that (a) there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares and the Rights Shares; (b) no Share Options having been exercised prior to the closure date of register of members for determining entitlements to the Rights Issue; and (c) none of the Qualifying Shareholders (other than Mr. Zhang and the Underwriter who shall take up their respective entitlements) have taken up any entitlements of the Rights Share, (aa) the Subscribers and parties acting in concert with any of them, including Mr. Ying, will, in aggregate, be interested in approximately 53.49% of the issued share capital of the Company as enlarged by the issue of all the Subscription Shares and the Rights Shares; and (bb) Mr. Zhang together with his associates and concert parties (including the Underwriter) will be interested in approximately 21.26% of the issued share capital of the Company as enlarged by the issue of all the Subscription Shares and the Rights Shares.

As there will be no excess application arrangement in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules, the Company has put in place the Compensatory Arrangements as required by Rule 7.21(1)(b) of the Listing Rules. Subject to the terms and conditions set out in the Underwriting Agreement, if and to the extent that at the Latest Placing Time, there shall be any Unsubscribed Rights Shares which have not been successfully placed out by the Placing Agent under the Compensatory Arrangements, then the Underwriter shall subscribe or procure subscription for a maximum of 108,658,608 Rights Shares pursuant to the allocations under the terms set out in the Underwriting Agreement and on the terms as set out in the Letter from the Board.

Having considered that (a) there was no underwriting commission to be charged by the Underwriter who will facilitate the fund-raising effort of the Company; (b) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and that the Qualifying Shareholders have their choice of whether to accept the Rights Issue or not; and (c) the inherent dilutive nature of rights issue in general if the existing Shareholders do not subscribe in full for their assured entitlements, we are of the view that the Issue Price for the Rights Issue to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

According to the Placing Agent Agreement, the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. Unsubscribed Rights Shares will be placed by the Placing Agent to Independent Third Parties on a best effort basis. However, if the Placing Agent is unable to place all of the Unsubscribed Rights Shares, the Underwriter has agreed to subscribe for the Unsubscribed Rights Shares (being any Unsubscribed Rights Shares that are not placed by the Placing Agent under the Placing Agent Agreement).

(iv) Our view on the Special deals

As at the Latest Practicable Date, the Underwriter, wholly owned by Mr. Zhang, was a Shareholder interested in 135,992,000 Shares and Mr. Zhang is directly interested in 1,307,400 Shares. As the Underwriting Agreement was not extended to all other Shareholders, the Underwriting Agreement and the transactions contemplated thereunder constitute a special deal under Rule 25 of the Takeovers Code. As at the Latest Practicable Date, the Placing Agent was a Shareholder interested in 804,000 Shares. As the Placing Agent Agreement was not extended to all other Shareholders, the Placing Agent Agreement and the transactions contemplated thereunder also constitute a special deal under Rule 25 of the Takeovers Code.

The Special Deals are subject to the approval by more than 50% of the Independent Shareholders at the SGM by way of poll and require the consent of the Executive. Applications have been made by the Company to the Executive for consent under Rule 25 of the Takeovers Code in relation to the Special Deals.

Such consent of the Executive, if granted, will be subject to (a) the Independent Financial Adviser publicly stating that in its opinion the terms of the Special Deals are fair and reasonable; and (b) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Special Deals.

Having considered that (a) the imminent funding needs of the Group as discussed in the section headed “3. REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS AND THE RIGHT ISSUES AND USE OF PROCEEDS” in this letter; (b) the Rights Issue represents an opportunity for the Qualifying Shareholders to participate in the fundraising exercise at the same Subscription Price as the Subscribers; (c) under the Compensatory Arrangements in accordance with the Listing Rules, the Placing Agent, being an independent third party of and not acting in concert with the Underwriter, the Subscribers and their respective parties acting in concert with them, shall procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and that the Underwriter has agreed to subscribe for the Untaken Rights Shares, being all the Unsubscribed Rights Shares that are not successfully placed by the Placing Agent, in accordance with the terms of the Underwriting Agreement regardless of the participation level from Qualifying Shareholders; (d) the Underwriter will only subscribe for the Unsubscribed Rights Shares (other than Mr. Zhang and the Underwriter who shall take up their respective entitlements) that the Placing Agent is unable to place, on a best effort basis, to the Placee(s); (e) the Company is unlikely to obtain positive feedback from independent financial institutions in acting as an underwriter of the Company on fully-underwritten basis for the Rights Shares at the commission rate under the Underwriting Agreement given the current financial position and performance as discussed in the section headed “1. INFORMATION OF THE GROUP” in this letter; and (f) our analysis on the terms of the Placing Agent Agreement and the Underwriting Agreement as set out under this section, we concur with the Directors’ view that the terms of the Special Deals (i.e. the Placing Agent Agreement, the Underwriting Agreement and the transactions contemplated thereunder) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

8. EXPECTED FINANCIAL EFFECTS OF THE SUBSCRIPTIONS AND THE RIGHTS ISSUE

(i) Net asset value

As set out in the Annual Report 2024/25, the net liabilities attributable to the owners of the Company as at 31 March 2025 were approximately HK$7.7 million. As set out in the Letter from the Board, 700,000,000 Subscription Shares and 149,848,428 Rights Shares will be issued under the Subscription Agreements and the Rights Issue respectively, with gross proceeds expected to be approximately HK$84.7 million in aggregate. Immediately upon completion of the Subscriptions and Rights Issue, the asset backing of the Group is expected to improve notably, with net liabilities attributable to the owners of the Company of approximately HK$7.7 million being turned in to net assets attributable to the owners of the Company of approximately HK$73.2 million.

As set out in the unaudited pro forma financial information of the Group in Appendix II to the Circular, the consolidated net tangible liabilities per Share attributable to equity holders of the Company per Share as at 31 March 2025 would be improved from approximately HK4.37 cents to approximately HK$4.43 cents of net tangible assets per Share attributable to equity holders of the Company.

(ii) Current ratio

As set out in the Annual Report 2024/25, the Group had current assets of approximately HK$114.6 million and current liabilities of approximately HK$132.0 million as at 31 March 2025. On this basis, the current ratio of the Group (being the current assets divided by the current liabilities) as at 31 March 2025 was approximately 0.87 times. Immediately upon completion of the Subscriptions and Rights Issue but before the use of proceeds, only taking into account the effects of the Subscriptions and Rights Issue, the current assets of the Group are expected to increase by the net proceeds from the Subscription and the Rights Issue of approximately HK$80.9 million as set out in the Letter from the Board, to approximately HK$195.5 million, and hence the current ratio of the Group will improve to approximately 1.48 times.

(iii) Net debt position

According to the Annual Report 2024/25, the Company recorded net liabilities attributable to owners of the Company of approximately HK$7.7 million and a net debt position of approximately HK$35.6 million as at 31 March 2025, based on the Group's cash and bank balances of approximately HK$1.0 million less the aggregate amount of Judgement Debt and bank borrowings of approximately HK$36.6 million. Immediately upon completion of the Subscriptions and Rights Issue but before use of proceeds, only taking into account the effects of the Subscriptions and Rights Issue, based on (a) the net proceeds from the Subscription and Rights Issue (after deducting all fees, costs and expenses estimated to be incurred by the Company in connection with the Subscriptions and the Rights Issue), which are expected to be approximately HK$80.9 million in aggregate; and (b) the net debt position of approximately HK$35.6 million of the Group as at 31 March 2025, the Group will have net cash position of approximately HK$45.3 million.

Although the above analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group will be immediately upon the completion of the Subscriptions and the Rights Issue, it indicates that the Subscriptions and the Rights Issue would have a positive impact on the Group's net assets value, current ratio and net debt-to-equity ratio. On this basis, we are of the view that the Subscriptions are fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

9. EFFECTS ON THE SHAREHOLDING INTEREST OF THE PUBLIC SHAREHOLDERS

With reference to the shareholding table in the section headed "EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY" of the Letter from the Board, the shareholding interests of the other public Shareholders would be diluted by a maximum of approximately 43.13 percentage points, from approximately 68.16% to approximately 25.03%, immediately after completion of the Subscriptions and the Rights Issue, assuming none of the Qualifying Shareholders (other than Mr. Zhang and the Underwriter who shall take up their respective entitlements) have taken up any entitlements of the Rights Shares and all the Untaken Rights Shares are fully placed to the Placees or taken up by the Underwriter. Having considered the reasons and benefits of the Subscriptions as set out in the section headed "3. REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS AND THE RIGHT ISSUES AND USE OF PROCEEDS" in this letter:

(i) there are imminent funding needs of the Group as the Group's cash and bank balances amounted to approximately HK$1.0 million as at 31 March 2025, which was considered not sufficient to (a) settle the outstanding principal amount of the bank borrowing of approximately HK$5.4 million as at 31 March 2025 and the Judgment Debt of US$4 million (equivalent to approximately HK$31.2 million); and (b) satisfy the funding needs under the liquidity pressure of the Group as evidenced by the net cash outflow used in operating activities of the Group of approximately HK$6.8 million for the year ended 31 March 2025, please refer to the section headed "3. REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS AND THE RIGHTS ISSUE AND USE OF PROCEEDS" in this letter for further details;

(ii) not less than 80% of the net proceeds from the Subscriptions and the Rights Issue is set aside by the Group for the settlement of its payables and the remaining of such net proceeds is set aside by the Group for its working capital;

(iii) the Subscriptions will strengthen the capital base of the Company by improving its debts position, thus enhancing its financial position and supporting the development of the Group's business without incurring additional interest expenses;

(iv) the Group's liabilities and finance costs will be reduced after repaying the liabilities of the Group with the net proceeds of the Subscriptions and Rights Issue;

(v) the benefits of the Subscriptions and Rights Issue (details of which are set out under the section headed "3. REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS AND THE RIGHTS ISSUE AND USE OF PROCEEDS" in this letter); and

(vi) the Subscription Price is fair and reasonable, details of which are set out under the section headed "6. ANALYSIS OF THE SUBSCRIPTION PRICE" in this letter, we are of the view that the aforesaid dilution effects are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

10. APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, Mr. Ying was directly interested in 16,211,900 Shares, representing approximately 3.30% of the issued share capital of the Company. Save as disclosed above, none of the Subscribers or parties acting in concert with any of them were interested in any Shares as at the Latest Practicable Date. Accordingly, Mr. Ying, Subscriber A, Subscriber B, Subscriber C and parties acting in concert with any of them were interested in 16,211,900 Shares representing approximately 3.30% of the issued share capital of the Company as at the Latest Practicable Date. Assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares and the Rights Shares, the Subscribers and parties acting in concert with any of them (including Mr. Ying) will, in aggregate, be interested in approximately 53.08% (assuming all Share Options not subject to the Optionholders' Undertakings having been exercised before the closure date of register of members for determining entitlements to the Rights Issue) or 53.49% (assuming no Share Options having been exercised prior to the closure date of register of members for determining entitlements to the Rights Issue) of the issued share capital of the Company as enlarged by the issue of all the Subscription Shares and the Rights Shares.

Accordingly, the Subscribers will be required to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares and other securities not already owned or agreed to be acquired by them and parties acting in concert with any of them, unless the Whitewash Waiver is granted.

An application has been made by Subscriber A to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Subscription Agreements and the transactions contemplated thereunder. Mr. Zhang was involved in the negotiation of the Subscriptions. The Subscribers, the Underwriter, the Placing Agent and their respective parties acting in concert with any of them (including Mr. Ying and Mr. Zhang respectively) are required to abstain from voting on the relevant resolution(s) in respect of the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the transactions contemplated thereunder as well as the Whitewash Waiver at the SGM.

The Subscriptions are conditional on, among others, each of the Underwriting Agreement and the Placing Agent Agreement becoming unconditional, the granting of the Whitewash Waiver by the Executive and the approval by the Independent Shareholders at the SGM. The Subscription Agreement A having become unconditional is one of conditions precedent for each of the Subscription Agreement B and the Subscription Agreement C. The Underwriting Agreement and the Placing Agent Agreement (i.e. the Special Deals) are conditional on, among others, the Subscription Agreement A having become unconditional, the consent of the Executive and the approval of the Independent Shareholders at the SGM. If the Whitewash Waiver or consent for the Special Deals is not granted by the Executive or approvals by the Independent Shareholders of the Whitewash Waiver or the Special Deals are not obtained, the Group's capital raising plan by way of the Subscriptions and the Rights Issue will not proceed.

Having considered that (i) the reasons for and benefits of the Subscriptions set out in the section headed "3. REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS AND THE RIGHTS ISSUE AND USE OF PROCEEDS" in this letter and that the Subscriptions are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (ii) that the terms of the Subscription Agreements are fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Subscription, is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

As set out in this letter above and having considered the factors, in particular:

(i) our work and analysis as set out under the section headed "4. OUR ANALYSIS ON THE GROUP'S FINANCING NEEDS AND FINANCING ALTERNATIVES" in this letter, including the net debt position, the Monthly Operating Cash Outflow, the cash position of the Group as at 31 March 2025 and the Judgment Debt, demonstrating the fact that the Group is facing liquidity pressure and has genuine funding needs. The aggregate net proceeds from the Subscriptions and the Rights Issue of approximately HK$80.9 million are intended to be applied as follows: (a) approximately HK$65.3 million for the settlement of payables of the Group; (b) approximately HK$12 million for the repayment of principal amount of the Settlement Note; and (c) approximately HK$3.6 million for working capital purpose, including payment of daily operating expenses (including staff costs and rental expenses) and settlement of the amount due to suppliers. Further details are set out under the section headed "USE OF PROCEEDS" in the Letter from the Board;

(ii) our analysis on the financing alternatives, including additional bank borrowings, equity fundraising and restructuring plans, considered by the Management, but were assessed to be unfeasible and the reasons thereof;

(iii) the Subscribers are the only potential investors who are willing to subscribe for the Subscription Shares at the Subscription Price and is acceptable to the Proposal, which involves the Rights Issue, which provides the Qualifying Shareholders with an opportunity to participate in the fundraising exercise at the same Subscription Price as the Subscribers;

(iv) our work and analysis on the Trading Multiple Comparable Companies, including our comparison and analysis on the P/S Ratio and the P/B Ratio under the Subscriptions and that of the Trading Multiple Comparable Companies, which we found that (a) the implied P/B Ratio under the Subscriptions to be higher than both of the Comparable P/B Ratios, being approximately 0.52 times (Wanjia) and approximately 0.57 times (Raily Aesthetic Medicine), respectively; and (b) the implied P/S Ratio under the Subscriptions to be higher than both of the Comparable P/S Ratios, being approximately 0.22 times (Wanjia) and approximately 0.30 times (Raily Aesthetic Medicine), respectively; and (c) the Subscription Price is considered fair and reasonable;

(v) the Subscription Price of the Subscriptions is fair and reasonable as discussed in the section headed "6. ANALYSIS OF THE SUBSCRIPTION PRICE" above;

(vi) the possible dilution effects of the Subscriptions are fair and reasonable as discussed in the section headed "9. EFFECT ON THE SHAREHOLDING INTEREST OF THE PUBLIC SHAREHOLDERS" above;

(vii) the analysis on the fairness and reasonableness of the Whitewash Waiver as discussed in the section headed "10. APPLICATION FOR WHITEWASH WAIVER" above;

(viii) the terms of the Subscription Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Subscriptions are in the interests of the Company and the Independent Shareholders as a whole, although the Subscription is not in the ordinary and usual course of business of the Group; and

(ix) the terms of the Placing Agent Agreement and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Placing Agent Agreement and the Underwriting Agreement, both being part of the Rights Issue, are in the interests of the Company and the Independent Shareholders as a whole, we are of the opinion that (i) although the Subscription Agreements, the Underwriting Agreement and the Placing Agent Agreement were not entered into in the ordinary and usual course of business of the Group; (ii) the Subscription Agreements, the Underwriting Agreement, the Placing Agent Agreement and the respective transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; (iii) the approval of the Whitewash Waiver and the Special Deals, which is a prerequisite for the completion of the Subscriptions, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (iv) the Subscription Agreements, the Underwriting Agreement and the Placing Agent Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions on the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the Whitewash Waiver to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 18 years of experience in the corporate finance industry.

* *for identification purposes only*

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Details of the audited consolidated financial information of the Group for the three years ended 31 March 2023, 2024 and 2025 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.ch-groups.com):

(i) the audited financial information of the Group for the year ended 31 March 2023 is disclosed in the annual report of the Company for the year ended 31 March 2023 published on 31 July 2023, from pages 66 to 155 (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0731/2023073100007.pdf);

(ii) the audited financial information of the Group for the year ended 31 March 2024 is disclosed in the annual report of the Company for the year ended 31 March 2024 published on 31 July 2024, from pages 74 to 175 (https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0731/2024073100017.pdf); and

(iii) the audited financial information of the Group for the year ended 31 March 2025 is disclosed in the annual report of the Company for the year ended 31 March 2025 published on 25 July 2025, from pages 83 to 177 (https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0725/2025072500043.pdf).

Set out below is the consolidated statement of profit or loss and other comprehensive income of the Group for the three years ended 31 March 2023, 2024 and 2025 as extracted from the annual reports of the Company for the three years ended 31 March 2023, 2024 and 2025, respectively.

	For the year ended 31 March		
	2025	2024	2023
	HK$'000	*HK$'000*	*HK$'000*
Revenue	**38,943**	59,930	76,414
Cost of sales	**(29,708)**	(46,292)	(49,222)
Gross profit	**9,235**	13,638	27,192
Other income	**16,689**	39,085	1,041
Other loss, net	**(6,575)**	(43,606)	(21,407)
Share-based payment expense	**–**	–	(23)
Net impairment loss of financial assets	**(17,642)**	–	–
Selling and distribution expenses	**(6,138)**	(17,768)	(11,726)
Administrative expenses	**(62,695)**	(33,316)	(28,267)
Finance costs	**(252)**	(327)	(2,193)
Share of loss of an associate	**–**	–	(4,000)
LOSS BEFORE TAX	**(67,378)**	(42,294)	(39,383)
Income tax expense	**(443)**	(203)	(177)
LOSS FOR THE YEAR	**(67,821)**	(42,497)	(39,560)

	For the year ended 31 March		
	2025	2024	2023
	HK$'000	*HK$'000*	*HK$'000*
(Loss)/profit for the year attributable to:			
Owners of the Company	**(67,790)**	(40,187)	(42,046)
Non-controlling interests	**(31)**	(2,310)	2,486
	(67,821)	(42,497)	(39,560)
LOSS PER SHARE			
Basic and diluted (cents)	**(13.91)**	(8.45)	(9.86)

	For the year ended 31 March		
	2025	2024	2023
	HK$'000	*HK$'000*	*HK$'000*
LOSS FOR THE YEAR	**(67,821)**	(42,497)	(39,560)
Other comprehensive expense			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	**(1,743)**	(3,375)	(11,827)
Reclassification adjustment for disposal of foreign operations during the year	**–**	(79)	–
Other comprehensive expense for the year	**(1,743)**	(3,454)	(11,827)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(69,564)**	(45,951)	(51,387)
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company	**(69,606)**	(43,223)	(53,451)
Non-controlling interests	**42**	(2,728)	2,064
	(69,564)	(45,951)	(51,387)

The management discussion and analysis of the Company for each of the three financial years ended 31 March 2023, 2024 and 2025 are disclosed in the annual reports of the Company for the financial years ended 31 March 2023, 2024 and 2025, respectively.

For each of the three financial years ended 31 March 2023, 2024 and 2025, no dividend or distribution was declared or paid. No qualified or modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the auditor's reports of the Company issued by Elite Partners CPA Limited for each of the financial years ended 31 March 2023 and 2024. The consolidated financial statements of the Company for the year ended 31 March 2025 were audited by Beijing Xinghua Caplegend CPA Limited, who expressed a disclaimer of opinion on multiple uncertainties related to going concern for the year ended 31 March 2025, which is extracted below:

"We do not express an opinion on the consolidated financial statements of the Group for the year ended 31 March 2025. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple Uncertainties Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which mentions that as at 31 March 2025, the Group incurred a loss of approximately HK$67,821,000 for the year ended 31 March 2025 and the Group had net current liabilities of approximately HK$17,345,000. In addition, the Group had outstanding bank borrowings, trade payables and other payables and accrued expenses amounting to approximately HK$5,418,000, HK$24,386,000 and HK$88,471,000 respectively, as at 31 March 2025, of which (i) the bank borrowings amounted to approximately HK$5,418,000 would be repayable on demand; and (ii) trade payables and other payables and accrued expenses amounted to approximately HK$24,386,000 and HK$88,471,000 respectively would be due for repayment within the next twelve months or repayable on demand, while its cash and cash equivalents amounted to approximately HK$1,048,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, which are set out in Note 2 to the consolidated financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including: (i) successfully completing the subscription transaction; (ii) successfully completing the rights issue's transaction; (iii) successfully negotiating with the Group's existing lender for renewal and/or extension of settlement arrangement of bank borrowing; and (iv) successfully obtaining potential new fundings as and when needed.

Given that the Group's plans and measures to address the going concern uncertainties are either at a preliminary stage or still in progress, and certain plans and measures are in the absence of written contractual agreements or other documentary supporting evidence from relevant counterparties as at the date the consolidated financial statements were approved and authorised for issue, we were unable to obtain sufficient appropriate audit evidence that we considered necessary to assess the assumptions and judgments supporting the directors' assessment of the Group's ability to continue as a going concern and the likelihood of success of the Group's plans and measures. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness of the directors' use of the going concern basis of accounting and the adequacy of the related disclosures in the consolidated financial statements.

Should the Group be unable to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

In the absence of sufficient appropriate audit evidence of the above, we were unable to ascertain whether the use of the going concern assumption in the preparation of the consolidated financial statements is appropriate."

2. STATEMENT OF INDEBTEDNESS

Bank and other borrowings

At the close of business on 30 April 2025, being the latest practicable date of this indebtedness statement prior to the printing of this circular, the Group had total outstanding principal borrowing of approximately HK$5,387,000 owed to a bank. The bank borrowing carries a contractual interest rate at the loan prime rate minus 50 basis points per annum. This bank borrowing is unsecured, guaranteed by a third-party assurance, and repayable within one year.

As of the close of business on 30 April 2025, which is the latest practicable date for this indebtedness statement prior to the printing of this circular, the Group had total outstanding other borrowings of approximately HK$18,879,000 and HK$2,739,000 owed to certain independent third parties and a Director, respectively. The borrowings of HK$16,077,000 carry an interest rate of 6.5% per annum, are unsecured, non-guaranteed, and repayable on demand. The borrowings of HK$5,541,000 are interest-free, unsecured, non-guaranteed, and have no fixed repayment terms.

Lease liabilities

As of 30 April 2025, the Group had outstanding lease liabilities of approximately HK$1,084,000, which consist of 4 leases for leasehold lands and buildings, typically spanning periods of 2 to 3 years. These leases do not impose any covenants. The minimum lease payments due within one year and beyond one year were approximately HK$663,000 and HK$421,000, respectively. The incremental borrowing rates applied to the measurement of lease liabilities ranged from 7.52% to 7.99%. The lease liabilities are not secured by any form of guarantee, collateral, or third-party assurance.

Save as disclosed above, and apart from intra-group liabilities and normal trade payables, the Directors were not aware of the Group having any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the net proceeds from the Subscriptions and the Rights Issue (in the absence of any unforeseen circumstances) and the financial resources available to the Group (including internally generated funds and available facilities), the Group will have sufficient working capital for its present requirements and for at least the next twelve months from the date of this circular.

4. MATERIAL CHANGE

The Directors confirmed that, save for the following matters, there had been no material change in the financial or trading position or outlook of the Group since 31 March 2025 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date.

(a) the Proposal as set out in the letter from the Board contained in this circular;

(b) the expiry of long stop date of the equity transfer agreement dated 5 July 2024 in respect of the proposed acquisition of 100% equity interest in 譜天福信(天津)分子診斷技術有限公司 (ProteinT (Tianjin) Diagnostic, Co., Ltd.). Accordingly, the equity transfer agreement and all rights and obligations of the parties pursuant to the equity transfer agreement were terminated. Further details were set out in the announcement of the Company dated 30 June 2025; and

(c) the Settlement Deed dated 3 July 2025 entered into among Long Heng, the Company, Ever True and Ms. Ma Xiaoming. Pursuant to the Settlement Deed, (i) Ever True will return the original copy of the Promissory Note in the principal amount of HK$146 million to the Company for cancelation; (ii) Long Heng will transfer the entire equity interest in Jinmei to Ever True for a nominal consideration of HK$1; and (iii) Long Heng will pay Ever True a sum of HK$12 million by the issuance of the Settlement Note by the Company as final settlement of the disputes. Completion of the Settlement Deed took place on 18 July 2025. Further details were set out in the Settlement Deed Announcement and the announcement of the Company dated 18 July 2025.

5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in (i) medical equipment and consumables distribution and service business; and (ii) hospital operation and management services business, which together represent its core revenue streams.

During the year, economy of the PRC continued its recovery trajectory, underpinned by structural reforms and policy support from the central government. The emergence of new quality productive forces and revitalisation of the capital market have contributed to renewed investor confidence and reinforced Hong Kong's position as a leading international financial centre. These developments have laid a favourable foundation for the next phase of economic and social growth. With ongoing urbanisation and an aging population, the healthcare industry is expected to remain a key pillar of future development, presenting significant opportunities for the Group's expansion.

Despite this broader economic recovery, the Group encountered unprecedented challenges over the past year. These included a decline in performance across existing operations, the underperformance of the new distribution business, and difficulties in recovering substantial accounts receivable. In addition, the adverse outcome of the Judgment Debt triggered the cross-default clause, accelerating the payment of the Promissory Note issued as consideration for the Jinmei Acquisition. These factors placed considerable pressure on the Group's short-term cash flow and raising concerns about its going concern status.

In response, the Board took decisive steps to stabilise the Group's financial position. The Company entered into the Subscription Agreements with the Subscribers to introduce new controlling Shareholders and, in parallel proposed the Rights Issue to existing Shareholders to repay outstanding debts and strengthen its capital base. Furthermore, the Company entered into the Settlement Deed in July 2025 to resolve the related disputes arising the aforesaid cross-default event. The Board believes that the successful execution of the Proposal and the completion of the equity restructuring will significantly enhance the Group's financial position and support its long-term growth.

Looking ahead to the new financial year, with the support of new controlling Shareholders and the additional capital raised, the Group is well-positioned to navigate its current challenges. The Group will continue to focus on strengthening its core operations while proactively exploring strategic partnerships, industry integration, and potential business opportunities. The Board is confident that through coordinated efforts in the coming years, the Group can overcome its current difficulties, rebuild momentum, and create value for its Shareholders.

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Subscriptions and the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and position for the financial periods concerned.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2025 (the "**Unaudited Pro Forma Financial Information**") which has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Subscriptions and the Rights Issue on the audited consolidated net tangible liabilities of the Group attributable to equity holders of the Company as at 31 March 2025 as if the Subscriptions and the Rights Issue had taken place on 31 March 2025.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated net liabilities of the Group attributable to equity holders of the Company as at 31 March 2025, which has been extracted from the published annual report of the Company dated 4 July 2025, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purpose only, based on the judgments and assumptions of the Directors, and because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group attributable to equity holders of the Company had the Subscriptions and the Rights Issue been completed as at 31 March 2025 or at any future date.

	Audited consolidated net tangible liabilities of the Group attributable to equity holders of the Company as at 31 March 2025	Estimated net proceeds from the Subscriptions and the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2025 after completion of the Subscriptions and the Rights Issue
	(Note 1)	*(Note 2)*	
	HK$'000	*HK$'000*	*HK$'000*
	(21,473)	80,900	59,427
Audited consolidated net tangible liabilities per Share attributable to equity holders of the Company before completion of the Subscriptions and the Rights Issue *(Note 3)*			HK(4.37) cents
Unaudited consolidated net tangible assets per Share attributable to equity holders of the Company after completion of the Subscriptions and the Rights Issue *(Note 4)*			HK4.43 cents

Notes:

1. As of 31 March 2025, the consolidated net tangible liabilities of the Group attributable to equity holders of the Company amount to approximately HK$21,473,000. This figure was calculated using the equity attributable to the owners of the Company, which is approximately HK$7,663,000 (in negative), as extracted from the published annual report of the Company dated 4 July 2025 and excluding the carrying amounts of intangible assets and goodwill, which are approximately HK$249,000 and HK$13,561,000, respectively.

2. The estimated net proceeds from the Subscriptions and the Rights Issue of approximately HK$80.9 million is calculated based on (i) the sum of 700,000,000 Subscription Shares at the Subscription Price of HK$0.1 per Subscription Share; and 147,493,428 Rights Shares assuming to be issued on the basis of three (3) Rights Shares for every ten (10) shares at the Issue Price of HK$0.1 per Rights Share; and (ii) after deduction of estimated related expenses of approximately HK$3.8 million.

3. Based on 491,644,763 Shares in issue as at the Latest Practicable Date (i.e. before completion of the Subscriptions and the Rights Issue).

4. Based on a total number of 1,339,138,191 Shares, which includes (i) 491,644,763 Shares in issue as at the Latest Practicable Date (i.e. prior to the completion of the Subscriptions and the Rights Issue), (ii) 700,000,000 Subscription Shares; and (iii) 147,493,428 Rights Shares to be issued, assuming both of the Subscriptions and the Rights Issue having been completed on 31 March 2025.

5. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2025.

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from Beijing Xinghua Caplegend CPA Limited, Certified Public Accountants, Hong Kong.

北京兴华
BEIJINGXINGHUA

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Health Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Health Group Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 March 2025 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-3 of the Company's circular dated 31 July 2025, in connection with the Subscriptions and the Rights Issue (collectively referred as the "**Transactions**") by the Company (the "**Circular**'). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-3 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transactions on financial position as at 31 March 2025 as if the Transactions had taken place at 31 March 2025. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2025, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transactions at 31 March 2025 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Beijing Xinghua Caplegend CPA Limited
Certified Public Accountants
Yeung Chun Wa
Practising Certificate Number P08421
Hong Kong
31 July 2025

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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than those relating to the Subscribers and parties acting in concert with any of them (including Mr. Ying)) 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Subscribers and parties acting in concert with any of them (including Mr. Ying)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Subscribers) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The Subscribers accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and following completion of the Subscriptions and the Rights Issue (assuming no further issue or repurchase of Shares on or before the completion of the Subscriptions and the Rights Issue) will be as follows:

(i) As at the Latest Practicable Date

Ordinary shares

Authorised ordinary share capital:		*HK$*
100,000,000,000	Shares of HK$0.1 each	10,000,000,000
Issued and paid-up ordinary share capital:		
491,644,763	Shares of HK$0.1 each	49,164,476.3

Redeemable convertible cumulative preference shares

Authorised share capital:		*US$*
15,000	preference shares of US$0.01 each	150

Issued and paid-up preference share capital: nil

(ii) Immediately following the completion of the Subscriptions and the Rights Issue (assuming no other issue or repurchase of Shares up to completion of the Subscriptions and the Rights Issue save for the issue of the Subscription Shares and the Rights Shares)

Authorised ordinary share capital:		*HK$*
100,000,000,000	Shares of HK$0.1 each	10,000,000,000

Issued and paid-up ordinary share capital:

491,644,763	Shares of HK$0.1 each	49,164,476.3
700,000,000	Subscription Shares of HK$0.1 each to be issued pursuant to the Subscriptions	70,000,000.0
147,493,428	Rights Shares of HK$0.1 each to be issued pursuant to the Rights Issue	14,749,342.8
1,339,138,191	Shares of HK$0.01 each immediately following the completion of the Subscriptions and the Rights Issue	133,913,819.1

All the Shares rank *pari passu* with each other in all respects including the rights as to dividends, voting and return of capital. The Subscription Shares and the Rights Shares, when allotted, issued and fully paid, will rank *pari passu* and carry the same rights and privileges in all respects among themselves and with the Shares then in issue, including the right to receive all dividends and other distributions declared, paid or made thereon the record date of which falls on or after the date of issue.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Rights Shares (in both their nil-paid and fully-paid forms) to be issued and allotted pursuant to the Subscriptions and the Rights Issue respectively. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

(iii) Share Options

As at the Latest Practicable Date, the Company had outstanding Share Options granted under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 19,050,000 new Shares, details of which are set out below:

Name or category of participant	Number of Share Options held on the latest Practicable Date	Exercise period of Share Options	Exercise price of Share Options *HK$*	Date of grant of Share Options
Directors				
Mr. Zhang (an executive Director)	400,000	27 April 2020 to 25 April 2029	1.8	26 April 2019
	400,000	21 October 2020 to 20 October 2030	1.8	20 October 2020
Mr. Chung Ho (an executive Director)	3,000,000	27 April 2020 to 25 April 2029	1.8	26 April 2019
Mr. Wang Jingming (a non-executive Director)	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019
Mr. Xing Yong (an executive Director)	400,000	27 April 2020 to 25 April 2029	1.8	26 April 2019
	3,000,000	21 October 2020 to 20 October 2030	1.8	20 October 2020

Name or category of participant	Number of Share Options held on the latest Practicable Date	Exercise period of Share Options	Exercise price of Share Options *HK$*	Date of grant of Share Options
Mr. Huang Lianhai (a non-executive Director)	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019
	2,000,000	21 October 2020 to 20 October 2030	1.8	20 October 2020
Mr. Jiang Xuejun (an independent non-executive Director)	400,000	27 April 2020 to 25 April 2029	1.8	26 April 2019
	400,000	21 October 2020 to 20 October 2030	1.8	20 October 2020
Mr. Du Yanhua (an independent non-executive Director)	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019
Mr. Lai Liangquan (an independent non-executive Director)	300,000	27 April 2020 to 25 April 2029	1.8	26 April 2019
Subtotal	11,200,000			
Employees	650,000	27 April 2020 to 25 April 2029	1.8	26 April 2019
	100,000	21 October 2020 to 20 October 2030	1.8	20 October 2020
Others *(Note)*	800,000	27 April 2020 to 25 April 2029	1.8	26 April 2019
	6,300,000	21 October 2020 to 20 October 2030	1.8	20 October 2020
Total	19,050,000			

Note: Share Options were granted to 14 business consultants of the Group which comprised of (i) Qiu Peiyuan, Huang Bin and He Lijuan, the former Directors who have become consultants of the Group providing advices on business development of the Group; (ii) a former employee of the Company, namely Ding Jiuru, who has subsequently become a consultant of the Group providing advices on financial operation of the Group; and (iii) consultants and business partners of the Group, namely, Zhong Bin, Liu Yanli, Rao Zhenan, Chan Nam, Hor Heng Siang, Yang Yongbin, Quo Wei, Lu Wenhui, Huang Hui and Wu Guanjie, who have provided business, legal or tax consultancy services or other professional services and introduced investment opportunities to the Group.

Save for the foregoing, the Company had no outstanding warrants, options or convertible securities in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

3. MARKET PRICES

The table below shows the closing price(s) of the Shares as quoted on the Stock Exchange (i) on the Last Trading Day; (ii) at the end of each calendar months during the Relevant Period; and (iii) on the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
29 November 2024	0.610
31 December 2024	0.250
28 January 2025	0.255
28 February 2025	0.195
31 March 2025	0.237
30 April 2025 (the Last Trading Day)	0.140
30 May 2025	0.280
30 June 2025	0.300
28 July 2025 (the Latest Practicable Date)	0.345

The highest and lowest closing prices per Share as quoted on the Stock Exchange during the period commencing from 22 November 2024, being the first day of the Relevant Period, and ending on the Latest Practicable Date are HK$0.730 on 5 December 2024 and HK$0.140 on 30 April 2025, respectively.

4. DISCLOSURE OF INTERESTS

(i) Interests of Directors and chief executives of the Company

At the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company or their associates in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or (ii) pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein, or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange, or (iv) to be disclosed under the Takeovers Code, were as follows:

Name of director/ chief executive	Capacity	Interests in Shares (other than pursuant to share option)	Interests in underlying Shares pursuant to share option	Total interest in Shares and underlying Shares	Percentage of Shares and underlying Shares to issued Shares
Mr. Zhang *(Note 1)*	Through personal & corporate interest	137,299,400 (L)	800,000	138,099,400 (L)	28.09%
Mr. Chung Ho *(Note 2)*	Beneficial owner	–	3,000,000 (L)	3,000,000 (L)	0.61%
Mr. Xing Yong *(Note 2)*	Beneficial owner	139,800 (L)	3,400,000 (L)	3,539,800 (L)	0.72%
Mr. Wang Jingming *(Note 3)*	Beneficial owner	2,340,600 (L)	300,000 (L)	2,640,600 (L)	0.54%
Mr. Huang Lianhai *(Note 3)*	Beneficial owner	–	2,300,000 (L)	2,300,000 (L)	0.47%
Mr. Jiang Xuejun *(Note 4)*	Beneficial owner	–	800,000 (L)	800,000 (L)	0.16%
Mr. Du Yanhua *(Note 4)*	Beneficial owner	–	300,000 (L)	300,000 (L)	0.06%
Mr. Lai Liangquan *(Note 4)*	Beneficial owner	–	300,000 (L)	300,000 (L)	0.06%

Remark: (L): Long position

Notes:

1. Mr. Zhang is interested in 1,307,400 Shares through personal interest and 135,992,000 Shares through Treasure Wagon Limited which is a company incorporated in Samoa and the entire issued share capital of which is owned by Mr. Zhang. Mr. Zhang is chairman of the Board and an executive Director.

2. Each of Mr. Chung Ho and Mr. Xing Yong is an executive Director.

3. Each of Mr. Huang Lianhai and Mr. Wang Jingming is a non-executive Director.

4. Each of Mr. Jiang Xuejun, Mr. Du Yanhua and Mr. Lai Liangquan is an independent non-executive Director.

Save as disclosed above, as of the Latest Practicable Date, so far as was known to the Directors, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or (ii) pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein, or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange, or (iv) to be disclosed under the Takeovers Code.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the interests or short positions of the persons (not being Directors or chief executives of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and/or required to be entered into the register maintained by the Company pursuant to section 336 of the SFO and/or required to be disclosed under the Takeovers Code were as follows:

Name of substantial shareholders	Capacity/ Nature of interests	Interests in Shares	Interests in underlying Shares pursuant to equity derivatives	Total interests in Shares and underlying Shares	Approximate percentage of the issued share capital *(Note 5)*
Mr. Ying *(Note 1)*	Interest of controlled corporation	500,000,000	–	516,211,900 (L)	105%
	Beneficial owner	16,211,900			
Subscriber A *(Note 1)*	Beneficial owner	500,000,000	–	500,000,000 (L)	101.7%
Treasure Wagon Limited *(Note 2)*	Beneficial owner	135,992,000	–	135,992,000 (L)	27.66%
Subscriber B *(Note 3)*	Beneficial owner	100,000,000	–	100,000,000 (L)	20.34%
Ms. Ying *(Note 3)*	Interest of controlled corporation	100,000,000	–	100,000,000 (L)	20.34%
Subscriber C *(Note 4)*	Beneficial owner	100,000,000		100,000,000 (L)	20.34%

Remark: (L): Long position

Notes:

1. As at the Latest Practicable Date, Mr. Ying was directly interested in 16,211,900 Shares, and held the entire issued share capital of Subscriber A, which was directly interested in 500,000,000 Shares. On 30 April 2025, Subscriber A entered into the Subscription Agreement A with the Company in relation to the subscription of 500,000,000 Shares. Therefore, pursuant to Part XV of the SFO, in addition to the 16,211,900 Shares directly held by Mr. Ying, Mr. Ying is taken to be interested in the 500,000,000 Shares to be issued to Subscriber A upon the completion of the Subscriptions.

2. As at the Latest Practicable Date, the entire issued share capital of Treasure Wagon Limited was owned by Mr. Zhang, who is the chairman of the Board and an executive Director.

3. As at the Latest Practicable Date, Ms. Ying held the entire issued share capital of Subscriber B, which was directly interested in 100,000,000 Shares. On 30 April 2025, Subscriber B entered into the Subscription Agreement B with the Company in relation to the subscription of 100,000,000 Shares. Therefore, pursuant to Part XV of the SFO, Ms. Ying is interested in the 100,000,000 Shares to be issued to Subscriber B upon the completion of the Subscriptions.

4. On 30 April 2025, Subscriber C entered into the Subscription Agreement C with the Company in relation to the subscription of 100,000,000 Shares. Therefore, as at the Latest Practicable Date, Subscriber C was directly interested in the 100,000,000 Shares to be issued to Subscriber C upon the completion of the Subscriptions.

5. The calculation is based on the number of Shares as a percentage of the total number of issued Shares as at the Latest Practicable Date (being 491,644,763 Shares).

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, the Company had not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or which were required to be disclosed under the Takeovers Code.

5. DIRECTORS' SERVICES CONTRACTS

As at the Latest Practicable Date, (i) none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including continuous and fixed term contracts) had been entered into or amended during the Relevant Period; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 March 2025, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, save for the Underwriting Agreement, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

8. ADDITIONAL DISCLOSURE

(a) Shareholding and dealings

As at the Latest Practicable Date,

(i) there was no agreement, arrangement or understanding pursuant to which the Subscription Shares to be acquired by the Subscribers under the Subscriptions will be transferred, charged or pledged to other persons;

(ii) save as disclosed in the shareholding structure table as set out in the section headed "Effects on the shareholding structure of the Company" in the "Letter from the Board" of this circular, none of the Subscribers and parties acting in concert with any of them (including Mr. Ying) owned, controlled or had control or direction over any voting rights and rights over shares, convertible securities, warrants, options or derivatives of the Company, or held any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) (the "**Relevant Securities**") of the Company;

(iii) the Subscribers and parties acting in concert with any of them (including Mr. Ying) did not have any arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise), with any other persons in relation to the Relevant Securities of the Company, which might be material to the Subscription Agreements and/or the Whitewash Waiver, except for the Letter of Intent and the Subscription Agreements;

(iv) the Subscribers and parties acting in concert with any of them (including Mr. Ying) had not dealt in any shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(v) the Subscribers and parties acting in concert with any of them (including Mr. Ying), the Company and the Directors had not borrowed or lent any Relevant Securities of the Company;

(vi) the subsidiaries of the Company, pension funds of the Company or of any subsidiaries of the Company or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of "associate" under the Takeovers Code (excluding exempt principal traders and exempt fund manager) did not own, control or have control or direction over any Relevant Securities of the Company. The aforesaid parties had not dealt for value in any such securities of the Company during the Relevant Period;

(vii) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code. The aforesaid parties had not dealt for value in any Relevant Securities of the Company during the Relevant Period;

(viii) no Relevant Securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company. The aforesaid parties had not dealt for value in the Relevant Securities of the Company during the Relevant Period;

(b) Arrangements affecting and relating to the Directors and/or the Shareholders

(i) no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Subscription Agreements and the transactions contemplated thereunder as well the Whitewash Waiver;

(ii) there was no agreement, arrangement or understanding (including any compensation arrangement) existed among the Subscribers and parties acting in concert with any of them (including Mr. Ying), and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription Agreements and the Whitewash Waiver;

(iii) there was no material contract entered into by the Subscribers and parties acting in concert with any of them (including Mr. Ying) in which any Director had a material personal interest;

(iv) save for the Underwriting Agreement and the Placing Agent Agreement, there was no understanding, arrangement or agreement or special deal between (a) any Shareholder; and (b) (i) the Subscribers and parties acting in concert with any of them (including Mr. Ying); or (ii) the Company, its subsidiaries or associated companies);

(v) as at the Latest Practicable Date, Mr. Xing Yong (an executive Director) and Mr. Wang Jiangming (a non-executive Director) were beneficially interested in 139,800 Shares and 2,850,600 Shares respectively. They intend to vote for the resolutions in respect of the Subscription Agreements, the Special Deals (i.e. the Underwriting Agreement and the Placing Agent Agreement) and the Whitewash Waiver at the SGM. Mr. Zhang is not entitled to vote at the SGM due to conflict of interests;

(c) Arrangements, agreements or other matters in connection with the Subscription Agreements and the Whitewash Waiver

(i) there was no agreement or arrangement to which the Subscribers and parties acting in concert with any of them (including Mr. Ying) is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription Agreements and/or the Whitewash Waiver;

(ii) save for the Underwriting Agreement, there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Subscription Agreements and the transactions contemplated thereunder as well as the Whitewash Waiver or otherwise connected with the Subscription Agreements and the transactions contemplated thereunder as well as the Whitewash Waiver;

(iii) the Company had not paid and will not pay any consideration, compensation or benefit in whatever form to the Subscribers and parties acting in concert with any of them (including Mr. Ying) in connection with the Subscription Agreements;

(d) Other matters

(i) the Subscribers and parties acting in concert with any of them (including Mr. Ying) had not received any irrevocable commitment from any Shareholders to vote for or against the proposed resolutions relating to the Subscription Agreements and/or the Whitewash Waiver at the SGM; and

(ii) there was no other understanding, arrangement or special deal between the Company on the one hand, and the Subscribers and parties acting in concert with any of them (including Mr. Ying) on the other hand.

9. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by members of the Group from 22 May 2023 (being the date falling two years immediately preceding 22 May 2025 (being the date of the Announcement)) up to and including the Latest Practicable Date:

(i) the Subscription Agreements;

(ii) the Underwriting Agreement;

(iii) the Placing Agent Agreement;

(iv) the termination agreement dated 18 October 2024 entered into between Zhongwei Health Industries (Shenzhen) Company Limited*（中衛健康產業（深圳）有限公司）(“**Zhongwei Health**”), a wholly-owned subsidiary of the Company, and Beijing Qihui Zhiyuan Information Technology Enterprise Partnership (Limited Partnership)*（北京啟慧智元信息科技合伙企業（有限合伙））(“**Beijing Qihui**”), to terminate the proposed acquisition of certain limited partnership interest by Zhongwei Health in Beijing Qihui as disclosed in the announcements of the Company dated 5 July 2021 and 26 July 2021. Details of the termination agreement are set out in the announcement of the Company dated 18 October 2024;

(v) the placing and subscription agreement dated 8 July 2024 entered into among the Company, Treasure Wagon Limited and Great Bay Securities Limited, pursuant to which (i) Treasure Wagon Limited (as vendor) agreed to sell, and Great Bay Securities Limited (as overall coordinator and placing agent) agreed to procure on a best effort basis, not less than six places for up to 15,000,000 Shares (the "**Placing Share(s)**") at the placing price of HK$0.80 per Placing Share (the "**Placing Price**"); and (ii) Treasure Wagon Limited (as subscriber) conditionally agreed to subscribe for, and the Company (as issuer) conditionally agreed to allot and issue, up to 15,000,000 Shares (being equivalent to the number of Placing Shares) at the subscription price of HK$0.80 per subscription share (being equivalent to the Placing Price). Details of the placing and subscription agreement are set out in the announcements of the Company dated 8 July 2024 and 17 July 2024;

(vi) the equity transfer agreement dated 5 July 2024 entered into among Zhongwei Health, the Company, ProteinT (Tianjin) Biotechnology Co., Ltd.(譜天(天津)生物科技有限公司)("**ProteinT**"), Friendly Act Limited and Mr. Li Jie, pursuant to which Zhongwei Health (as purchaser) conditionally agreed to acquire, and ProteinT (as vendor) conditionally agreed to sell, the entire equity interest in ProteinT (Tianjin) Diagnostic, Co., Ltd.(譜天福信(天津)分子診斷技術有限公司) at an initial consideration of HK$46,666,667, which shall be satisfied by the allotment and issue of 58,333,333 initial consideration shares of the Company (as issuer) to ProteinT. The parties to the equity transfer agreement further entered into two supplemental agreements dated 31 October 2024 and 28 February 2025 to extend the long stop date to 28 February 2025 and 30 June 2025, respectively. As certain conditions precedent of the equity transfer agreement have not been fulfilled (or waived) by the extended long stop date of 30 June 2025 and no agreement was reached by the parties to further extend the extended long stop date, the equity transfer agreement and all rights and obligations of the parties shall terminate. Details of the equity transfer agreement, two supplemental agreements and the termination of the equity transfer agreement due to the expiry of long stop date are set out in the announcements of the Company dated 7 July 2024, 21 August 2024, 30 September 2024, 31 October 2024, 28 February 2025 and 30 June 2025;

(vii) the termination notice dated 23 April 2024 served by both of Long Heng and the Company to Double Bliss Investments Limited, Mr. Zhou Wang, Alpha Success International Limited, Ms. Tse Yuk Lan and Mr. Ho Pei Lin, pursuant to which Long Heng exercised its right under the exit clause of the sale and purchase agreement dated 6 February 2023, which was entered into among the parties in relation to the acquisition of 51% of the total issue share capital of Golden Alliance Limited (being the sale shares), to return the aforesaid sale shares to Double Bliss Investments Limited, Mr. Zhou Wang and Alpha Success International Limited. Details of the termination notice are set out in the announcement of the Company dated 23 April 2024;

(viii) the Jinmei Acquisition Agreement dated 12 October 2023 entered into among Long Heng, the Company, Ever True and Ms. Ma Xiaoming, pursuant to which Long Heng (as purchaser) conditionally agreed to acquire, and Ever True (as vendor) conditionally agreed to sell (the performance of which was guaranteed by Ms. Ma Xiaoming (as guarantor)), the entire equity interest in Jinmei, at a consideration of HK$146,000,000, which shall be satisfied by way of issue of the Promissory Note by the Company (as issuer) to Ever True. Details of the Jinmei Acquisition Agreement are set out in the announcements of the Company dated 12 October 2023, 1 November 2023, 15 November 2023 and 16 November 2023; and

(ix) the Settlement Deed dated 3 July 2025 entered into among Long Heng, the Company, Ever True and Ms. Ma Xiaoming, pursuant to which (i) Ever True conditionally agreed to return the original copy of the Promissory Note to the Company for cancellation; (ii) Long Heng conditionally agreed to transfer the entire equity interest in Jinmei for a nominal consideration of HK$1; and (iii) Long Heng conditionally agreed to pay Ever True a sum of HK$12 million by the issuance of the Settlement Note by the Company. Upon completion of the Settlement Deed on 18 July 2025, the Jinmei Acquisition Agreement set out in paragraph (viii) above has terminated immediately and unconditionally. Details of the Settlement Deed are set out in the Settlement Deed Announcement and the announcement of the Company dated 18 July 2025.

10. LITIGATION

As at the Latest Practicable Date, save as follows, no member of the Group was engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group:

(i) a writ was filed by the Company against the People's Government of Shuangluan District, Chengde City (as first defendant) and Shuangluan District, Chengde City Hospital (as second defendant) in the Intermediate People's Court of Chengde City, Hebei Province on 1 August 2024 and which was accepted by the court on 12 September 2024 in relation to a loan in the principal amount of RMB67.60 million owed by the first defendant to the Company (the "**Chengde Proceedings**"). Details of the Chengde Proceedings are set out in the announcement of the Company dated 13 September 2024.

11. EXPERTS AND CONSENTS

The qualifications of the experts who have given opinions, letters or advice contained in this circular are set out below:

Name	Qualification
Red Sun Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities) Type 6 (advising on corporate finance) regulated activity under the SFO
Beijing Xinghua Caplegend CPA Limited	Certified Public Accountants, Registered Public Interest Entity Auditor

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter, advice, report and/or references to its names, in the form and context in which they are respectively included.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 March 2025, being the date to which the latest published audited consolidated financial statements of the Group were made up.

12. EXPENSES

The expenses payable by the Company in connection with the Subscriptions, the Rights Issue, the Placing Agent Agreement, the Underwriting Agreement and the Whitewash Waiver, including printing, registration, translation, legal, financial advisory, accounting and other professional fees, are estimated to be approximately HK$3.8 million.

13. DIRECTORS OF THE COMPANY

Name	Address
Executive Directors	
Mr. Zhang Fan	Unit 801, 8/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong
Mr. Chung Ho	Unit 801, 8/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong
Mr. Xing Yong	Unit 801, 8/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong
Non-executive Directors	
Mr. Huang Lianhai	Unit 801, 8/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong
Mr. Wang Jingming	Unit 801, 8/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong
Independent non-executive Directors	
Mr. Jiang Xuejun	Unit 801, 8/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong
Mr. Du Yanhua	Unit 801, 8/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong
Mr. Lai Liangquan	Unit 801, 8/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong
Ms. Yang Huimin	Unit 801, 8/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong

EXECUTIVE DIRECTORS

Mr. Zhang Fan, aged 60, graduated from the Engineering Department of Changsha University of Science and Technology with a Bachelor Degree in engineering, majoring in engineering machinery. From April 1989 to November 2016, he served at CSG Holding Co., Ltd. (which is listed on the Shenzhen Stock Exchange with stock code: 000012), and held a number of important positions with CSG Holding Co., Ltd. or its subsidiaries. Mr. Zhang has long been engaged in enterprise management, and in particular has accumulated extensive management experience in corporate standardisation, regulation and information development. He has in-depth understanding of the relevant industries, and was president of the Guangdong Glass Association. He was appointed as executive Director on 16 December 2016 and the Chairman on 11 December 2017.

Mr. Chung Ho, aged 62, graduated from Shanghai Railway University with a Bachelor degree in Science and Technology and from the Central University of Finance and Economics with a Master degree in Economics. He has over 30 years of experience in investment, financing, corporate management and other areas and has worked in several investment institutions and companies in Mainland China and Hong Kong as senior manager and director. He was appointed as executive Director on 28 December 2012 and the chief executive officer of the Company on 11 December 2017.

Mr. Xing Yong, aged 60, a senior engineer, graduated from Huaqiao University majoring in mechanical manufacturing. In 2004, Mr. Xing formed a Hong Kong company conducting the business of trading and shipping agency for customers from the United States, Europe and South Africa. Mr. Xing was appointed as the deputy general manager of Shenzhen Teamrun Investment Development Company Limited since 2015 and oversees commercial real estate development projects. He was appointed as non-executive Director on 18 June 2016 and has been re-designated from a non-executive Director to an executive Director on 22 August 2024.

NON-EXECUTIVE DIRECTORS

Mr. Wang Jingming, aged 68, graduated from the Fourth Military Medical University and the Third Military Medical University and received a bachelor's degree in Medicine and a master's degree in Surgery respectively. In his career of hospital management from 1994, he served as the president of the 251st Hospital of the People's Liberation Army, Chang'an Hospital in Xi'an, Beijing Beiya Orthopedics Hospital, Nanchang 334 Hospital as president, Chengde City Shuangluan District People's Hospital, Cheng Du Qing Cheng Mt. Hospital, Hebei Hua'Ao Hospital. Mr. Wang has long been focused on theoretical research and practice of hospital operating mechanism, management model, development direction. He was awarded 8 military science and technology achievement awards and medical achievement awards, of which "The Research of Military Center Hospital Management New Model" awarded the second prize of military science and technology progress as the primary researcher, and he has published over 80 articles on hospital management and medical professional academic papers. He was the editor-in-chief of "Hospital Management New Model", "Health 4.0 Smart Hospital Management Model" and "Health 4.0 Hospital Mode".

During the 5 years when he served as president in the 251st Hospital, the hospital obtained sustainable and rapid development, accessed to social benefits and economic benefits double harvest. The hospital was named "Hospital Operating Mechanism Research Base", "Model Digital Trial Hospitals" by the Ministry of Health, and the "Advanced Unit of the Army in Hospital Informatization" by the General Logistics Department of the PLA. Mr. Wang Jingming was honoured "The Most Leading Chinese Hospital President Innovation Award", "China Outstanding CIO", "Excellent Hospital President of the Army", "Outstanding Contribution of Promoting Construction of China's Informatization", etc. He was also elected as a standing member of the Information Management Committee, a vice chairman of the Chinese Hospital Statistics Committee, a member of the Chinese Health Information Association, a standing member of the Military Hospital Economic Management Committee of Chinese Hospital Association and an expert on special allowance of the military.

As the president of Chang'an Hospital for more than three years, the number of beds increased from 300 to more than 1,000, and medical income increased from RMB120 million to RMB400 million, rising the Shaanxi provincial tertiary hospital rank from No. 48 to No. 12; it participated in the Ministry of Health electronic medical system function evaluation, and won the first place in the national inspection and evaluation; and participated in the US HIMMS, representing the first sixth level certified hospital in the PRC.

When he served as the president of 334 Hospital for 1 year, it completed the overall introduction of new model hospital management, and the overall management level, service capacity, brand image were significantly improved, outpatient, inpatient beds increased by 1 time, hospital income increased by over 90%, and the hospital was certified tertiary hospital qualification.

In September 2015, he served as the president of Chengde City Shuangluan District People's Hospital, where he applied "Jingming Model" to promote the overall development of the hospital. With no changes in the conditions, personnel and equipment of the old hospital area, the admission and treatment capabilities, technical standards and employee mental outlook of employees of the hospital have been significantly improved; after moving to the new hospital area, although there are no residents around, the development momentum of the hospital has not diminished with great improvement in the hospital's technical standards and diagnosis and treatment capabilities. In 2017, at the "Primary Hospital Reform Forum" held by the National Health and Family Planning Commission in the hospital, Shuangluan District People's Hospital introduced its experience. The annual income of the hospital also increased from more than RMB20 million to RMB120 million.

In January 2021, he served as the president of Cheng Du Qing Cheng Mt. Hospital, where he had actively promoted the construction of the Healthcare 4.0 hospital and the promotion of the Jingming model. Since its opening in May 2021, the organisational structure, job responsibilities, workflow, cost accounting and performance management mechanisms of the hospital have been generally completed. The hospital is on the fast track of development.

He was appointed as the President and General Manager of Hebei Hua'Ao Hospital of Zhangjiakou in January 2024. He implemented the enterprise, intellectualisation and standardisation of hospital management according to his "Health 4.0 Mode". Through the reconstruction of the hospital organisation, introducing of post competition, optimisation of business process, and the adoption of total cost management, performance management and OKR management, he achieved the hospital staff reduction and efficiency increase, thus making a business growth of above 50% among a half of year. The hospital strived to achieve the goal of being "The national renowned 'Health 4.0' tertiary care hospital, topped in Zhangjiakou and pioneering in Hebei".

He was appointed as the executive Director on 15 May 2014 and has been re-designated from the executive Director to non-executive Director on 18 October 2021.

Mr. Huang Lianhai, aged 44, graduated from the Central South University of Forestry and Technology College of Law in 2005. Mr. Huang worked as an assistant solicitor in Guangdong Hopesun Law Firm from June 2005 to December 2007. Mr. Huang has worked in Guangdong Lawsons Law Office from August 2008 to August 2020. Currently, he is the legal and auditing director and the chairman of the supervisory board of Orinko Advanced Plastics Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 688219). He was appointed as non-executive Director on 25 July 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jiang Xuejun, aged 57, obtained a master's degree and doctoral degree in Cardiology from Tongji Hospital affiliated to Tongji Medical College of Huazhong University of Science & Technology in China. He was also a post-doctoral fellow at Pennsylvania State University and New York State University from June 1998 to June 2001. He has been a professor of Cardiology, chief physician and PhD tutor at Wuhan University Renmin Hospital since October 2001. Mr. Jiang mainly focuses on interventional cardiology and his research directions are coronary heart disease intervention and biomaterial application. He undertakes a number of national and provincial studies and has published numerous medical articles. He was appointed as independent non-executive Director on 21 February 2017.

Mr. Du Yanhua, aged 59, graduated from Wuhan University with a Bachelor degree in Virology and a Master degree in Radio Biophysics. He specialises in fields of biophysics, radiation biology and medicine, HIV/SIV vaccine design and construction, laboratory and primates animal immunisation, drug and vaccine manufacture, verification of vaccine and clinical trials declaration. He was a research assistant and a lecturer from in College of Life Sciences, Wuhan University from 1987 to 1992 and from 1992 to 2006 respectively. He worked as researcher and engineer in Zheng Tai Technical & Trade Limited in Wuhan from 2001 to 2005. He was also a visiting research scholar in The Aaron Diamond AIDS Research Center, New York from 2006 to 2008 and a research assistant in Aids Institute, LKS Faculty of Medicine in The University of Hong Kong from 2008 to 2012. He has been a technical manager in the Aids Institute, LKS Faculty of Medicine in The University of Hong Kong since March 2012, a senior project manager of Immuno Cure Limited since May 2015 and the chief executive officer of Shenzhen Yike Biotechnical Limited since October 2017. He was appointed as independent non-executive Director on 11 December 2017.

Mr. Lai Liangquan, aged 49, graduated from Xi'an Jiaotong University with a bachelor's degree in accounting in 2001. Mr. Lai is a PRC Certified Public Accountant and PRC Tax Agent. Mr. Lai is currently the chief financial officer of Kimou Environmental Holding Limited (a company listed on the Hong Kong Stock Exchange Limited (the "**Stock Exchange**"), stock code: 6805). Mr. Lai has been engaged in finance industry for 23 years. He is familiar with domestic and international accounting standards and Hong Kong listing rules and has extensive experience in financial management and corporate governance. He was appointed as independent non-executive Director on 5 March 2019.

Ms. Yang Huimin, aged 48, obtained a bachelor's degree in economics from Zhongnan University of Economics (now known as Zhongnan University of Economics and Law) in 1998 and a Master's degree of Management in Nanjing University in 2001. Ms. Yang is a non-practising member of the Chinese Institute of Certified Public Accountants (CPA) and holds the Chartered Financial Analyst qualification (CFA). Ms. Yang has extensive experience in company finance and listed company operations. In 2010 – 2014, she joined COFCO Property (Group) Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code: 000031) and successively became the vice general manager of the financial department, the general manager of the operation department and the vice general manager of the Shenzhen Centre City Company. In 2014 – 2015, Ms. Yang was appointed as the chief financial officer and secretary of the board of directors of COFCO & CM (Shenzhen) Grain Electronic Trading Centre Co., Ltd.. She was appointed as an independent non-executive Director on 18 June 2016 and resigned on 7 May 2018. She was subsequently appointed as an independent non-executive Director on 30 December 2024.

14. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal office	Unit 801, 8/F China Insurance Group Building 141 Des Voeux Road Central Hong Kong
Principal share registrar and transfer office	Appleby Global Corporate Services (Bermuda) Limited Canon's Court, 22 Victoria Street PO Box HM 1179 Hamilton HM EX Bermuda

Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Company secretary	Mr. Tsui Siu Hung Raymond
Authorised representatives	Mr. Chung Ho Unit 801, 8/F China Insurance Group Building 141 Des Voeux Road Central Hong Kong Mr. Tsui Siu Hung Raymond Unit 801, 8/F China Insurance Group Building 141 Des Voeux Road Central Hong Kong
Principal bankers	The Bank of East Asia Limited
Auditors and reporting accountants	Beijing Xinghua Caplegend CPA Limited *Certified Public Accountants, Registered Public Interest Entity Auditor* 1/F, GR8 Inno Tech Centre No. 46 Tsun Yip Street Kwun Tong Hong Kong
Financial adviser to the Company	Optima Capital Limited Suite 2101, 21/F Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Legal adviser to the Company as to Hong Kong laws	Li & Partners 22/F World Wide House Central Hong Kong

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Red Sun Capital Limited Room 310, 3/F China Insurance Group Building 141 Des Voeux Road Central Hong Kong
Underwriter	Treasure Wagon Limited Unit 802, 8/F China Insurance Group Building 141 Des Voeux Road Central Hong Kong
Placing Agent	Great Bay Securities Limited Room 2526-2536, 25/F Sun Hung Kai Centre 30 Harbour Road Wanchai Hong Kong
Broker for matching service for odd lots of Shares	Blackwell Global Securities Limited 26/F Overseas Trust Bank Building 160 Gloucester Road Wanchai Hong Kong

15. GENERAL

(i) The company secretary of the Company is Mr. Tsui Siu Hung Raymond, who is fellow member of each of the Association of the Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

(ii) The sole director of Subscriber A is Mr. Ying. The registered office of Subscriber A is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

(iii) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

(iv) This circular and the form of proxy are in both English and Chinese. In the event of inconsistency, the English texts shall prevail over the Chinese texts.

16. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.ch-groups.com), the Stock Exchange (www.hkexnews.hk) and the SFC (www.sfc.hk) from the date of this circular for at least 14 days and including the date of the SGM:

(i) the memorandum of association and bye-laws of the Company;

(ii) the annual reports of the Company for each of the financial years ended 31 March 2023, 2024 and 2025;

(iii) the letter from the Board, the text of which is set out on pages 16 to 57 of this circular;

(iv) the letter from the Independent Board Committee the text of which is set out on pages 58 to 59 of this circular;

(v) the letter from the Independent Financial Adviser, the text of which is set out on pages 60 to 116 of this circular;

(vi) the report from Beijing Xinghua Caplegend CPA Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;

(vii) the written consents of the experts as referred to in the section headed "Experts and Consents" in this appendix;

(viii) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(ix) this circular; and

(x) the memorandum of association of Subscriber A.

China Health Group Limited
中國衛生集團有限公司

(Carrying on business in Hong Kong as CHG HS Limited)
(Incorporated in Bermuda with limited liability)
(Stock Code: 673)

NOTICE IS HEREBY GIVEN that the special general meeting (the "**Meeting**" or the "**SGM**") of China Health Group Limited (the "**Company**") will be held at Unit 801, 8/F., China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong at 11:00 a.m. on Wednesday, 20 August 2025 to consider and, if thought fit, pass the following resolutions of the Company. Unless otherwise stated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 31 July 2025 (the "**Circular**"):

ORDINARY RESOLUTIONS

To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

1. "**THAT**:

   (a) the conditional subscription agreement (the "**Subscription Agreement A**", a copy of which, marked "A" and signed by the chairman of the Meeting for the purpose of identification, has been produced to the Meeting) dated 30 April 2025 entered into between the Company and Ample Colour Limited ("**Subscriber A**"), pursuant to which the Company has conditionally agreed to allot and issue to, and Subscriber A has conditionally agreed to subscribe for, 500,000,000 new Shares (the "**Subscription Shares A**") at the subscription price of HK$0.1 per Share (the "**Subscription Price**") in the aggregate consideration amount of HK$50,000,000, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) subject to the Listing Committee having granted approval (either unconditionally or subject to conditions) for the listing of, and permission to deal in, the Subscription Shares A and such approval not having been subsequently revoked or withdrawn, the Directors be and are hereby granted a specific mandate for the allotment and issue of Subscription Shares A in accordance with the terms and conditions of the Subscription Agreement A; and

(c) any one Director be and is hereby authorised on behalf of the Company to execute all such documents (whether under common seal or not) and do all such acts and things as he may consider necessary, desirable or expedient to implement and/or to give effect to the Subscription Agreement A and the transactions contemplated thereunder."

2. "**THAT**:

(a) the conditional subscription agreement (the "**Subscription Agreement B**", a copy of which, marked "B" and signed by the chairman of the Meeting for the purpose of identification, has been produced to the Meeting) dated 30 April 2025 entered into between the Company and Perfect Link Group Limited ("**Subscriber B**"), pursuant to which the Company has conditionally agreed to allot and issue to, and Subscriber B has conditionally agreed to subscribe for, 100,000,000 new Shares (the "**Subscription Shares B**") at the Subscription Price in the aggregate consideration amount of HK$10,000,000, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) subject to the Listing Committee having granted approval (either unconditionally or subject to conditions) for the listing of, and permission to deal in, the Subscription Shares B and such approval not having been subsequently revoked or withdrawn, the Directors be and are hereby granted a specific mandate for the allotment and issue of the Subscription Shares B in accordance with the terms and conditions of the Subscription Agreement B; and

(c) any one Director be and is hereby authorised on behalf of the Company to execute all such documents (whether under common seal or not) and do all such acts and things as he may consider necessary, desirable or expedient to implement and/or to give effect to the Subscription Agreement B and the transactions contemplated thereunder."

3. "**THAT**:

(a) the conditional subscription agreement (the "**Subscription Agreement C**", a copy of which, marked "C" and signed by the chairman of the Meeting for the purpose of identification, has been produced to the Meeting, together with the Subscription Agreement A and the Subscription Agreement B, the "**Subscription Agreements**") dated 30 April 2025 entered into between the Company and 鄔琳玲 (Wu Linling) ("**Subscriber C**", together with Subscriber A and Subscriber B, the "**Subscribers**"), pursuant to which the Company has conditionally agreed to allot and issue to, and Subscriber C has conditionally agreed to subscribe for, 100,000,000 new Shares (the "**Subscription Shares C**", together with the Subscription Shares A and the Subscription Shares B, the "**Subscription Shares**") at the Subscription Price in the aggregate consideration amount of HK$10,000,000, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) subject to the Listing Committee having granted approval (either unconditionally or subject to conditions) for the listing of, and permission to deal in, the Subscription Shares C and such approval not having been subsequently revoked or withdrawn, the Directors be and are hereby granted a specific mandate for the allotment and issue of the Subscription Shares C in accordance with the terms and conditions of the Subscription Agreement C; and

(c) any one Director be and is hereby authorised on behalf of the Company to execute all such documents (whether under common seal or not) and do all such acts and things as he may consider necessary, desirable or expedient to implement and/or to give effect to the Subscription Agreement C and the transactions contemplated thereunder."

4. "**THAT**:

(a) the conditional underwriting agreement (the "**Underwriting Agreement**", a copy of which, marked "D" and signed by the chairman of the Meeting for the purpose of identification, has been produced to the Meeting) dated 30 April 2025 entered into between the Company and Treasure Wagon Limited (the "**Underwriter**") in relation to the Rights Issue and the transactions contemplated thereunder, which constitute a special deal under Rule 25 of the Takeovers Code, be and are hereby approved, confirmed and ratified; and

(b) any one Director be and is hereby authorised on behalf of the Company to execute all such documents (whether under common seal or not) and do all such acts and things as he may consider necessary, desirable or expedient to implement and/or to give effect to the Underwriting Agreement and the transactions contemplated thereunder."

5. "**THAT**:

(a) the conditional placing agent agreement (the "**Placing Agent Agreement**", a copy of which, marked "E" and signed by the chairman of the Meeting for the purpose of identification, has been produced to the Meeting) dated 30 April 2025 and the amendment deed to the Placing Agent Agreement (the "**Placing Agent Agreement Amendment Deed**", a copy of which, marked "F" and signed by the chairman of the Meeting for the purpose of identification, has been produced to the Meeting) dated 22 May 2025 both entered into between the Company and Great Bay Securities Limited (the "**Placing Agent**") in relation to the Placing and the transactions contemplated thereunder, which constitute a special deal under Rule 25 of the Takeovers Code, be and are hereby approved, confirmed and ratified; and

(b) any one Director be and is hereby authorised on behalf of the Company to execute all such documents (whether under common seal or not) and do all such acts and things as he may consider necessary, desirable or expedient to implement and/or to give effect to the Placing Agent Agreement (as amended and supplemented by the Placing Agent Agreement Amendment Deed) and the transactions contemplated thereunder."

SPECIAL RESOLUTION

To consider as special business and, if thought fit, pass with or without amendments, the following resolution as special resolution:

6. "**THAT**:

   (a) subject to the passing of the resolution numbered 1 above and the granting of the Whitewash Waiver (as defined below) by the Executive or any of his delegate(s) and any conditions that may be imposed thereon, the waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code (the "**Whitewash Waiver**") of the obligation on the part of Subscriber A to make a mandatory general offer for all the issued shares and other securities of the Company (other than those already owned or agreed to be acquired by Subscriber A and parties acting in concert with it) which might otherwise arise as a result of the Subscribers subscribing for the Subscription Shares pursuant to the terms and conditions of the Subscription Agreements be and is hereby approved, and

   (b) any one Director be and is hereby authorised on behalf of the Company to execute all such documents (whether under common seal or not) and do all such acts and things as he may consider necessary, desirable or expedient to implement and/or to give effect to the Whitewash Waiver and any matter relating or incidental thereto."

(For details of the above resolutions, please refer to the Circular.)

On behalf of the Board
Chung Ho
Chief Executive Officer and Executive Director

Hong Kong, 31 July 2025

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

Head office and principal Place of Business in Hong Kong:
Unit 801, 8/F
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint in written form one or, if he is the holder of two or more shares (the "**Shares**") of the Company, more proxy(ies) to attend and vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, the instrument appointing a 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 its seal or under the hand of an officer or attorney duly authorised to sign the same, and must be delivered to the office of the Hong Kong branch share registrar and transfer office of the Company (the "**Hong Kong Share Registrar**"), Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the Meeting (i.e. by 11:00 a.m. on Monday, 18 August 2025) or any adjournment thereof.

3. For determining the entitlement of the Shareholders to attend and vote at the Meeting, the register of members of the Company will be closed from Thursday, 14 August 2025 to Wednesday, 20 August 2025, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Meeting, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 13 August 2025.

4. Completion and return of the form of a proxy shall not preclude a member of the Company from attending and voting at the Meeting or any adjournment thereof.

5. In the case of joint holders of Share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such Share as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting in person or by proxy, that one of the said persons so present whose names stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.

6. In case of discrepancy between the English version and the Chinese version of this notice of the SGM, the English version shall prevail.

As at the date of this notice, the board of directors of the Company comprises three executive directors, namely, Mr. Zhang Fan (Chairman), Mr. Chung Ho and Mr. Xing Yong; two non-executive directors, namely, Mr. Huang Lianhai and Mr. Wang Jingming; and four independent non-executive directors, namely, Mr. Jiang Xuejun, Mr. Du Yanhua, Mr. Lai Liangquan and Ms. Yang Huimin.