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)

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		Following Subscription Completion and completion of the Rights Issue (assuming full acceptance by all Qualifying Shareholders)		Scenario I		Scenario II	
	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	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