
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **China Regenerative Medicine International Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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This circular is for information purposes only and is being provided to you solely for the purposes of considering the resolutions to be voted upon at the EGM to be held on Monday, 4 September 2023. This circular does not constitute an offer to issue or sell, or the solicitation of an offer to acquire, purchase or subscribe for securities referred to in this circular.

**China Regenerative Medicine International Limited****中國再生醫學國際有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 8158)**

- (1) PROPOSED CAPITAL REORGANISATION;**
(2) CONNECTED TRANSACTION – LOAN CAPITALISATION INVOLVING
ISSUE OF SHARES UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company**Octal Capital Limited****Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders****INCUBO Corporate Finance Limited**

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 9 to 27 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Loan Capitalisation is set out on pages 28 to 29 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 30 to 47 of this circular.

A notice convening the EGM to be held at Suite 2310–2318, Miramar Tower, 132 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 4 September 2023 at 11:00 a.m. is set out on pages EGM-1 to EGM-5 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Stock Exchange (www.hkexnews.hk) and the Company (www.crimi.hk). Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s Hong Kong Branch Share Registrar, Union Registrars Limited, at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM if they so wish and, in such event, the form of proxy shall be deemed to be revoked.

This circular will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the date of its publication. This circular will also be published on the Company’s website at www.crimi.hk.

18 August 2023

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“2022 Annual Report”	the annual report of the Company for the year ended 31 December 2022
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“BMI”	BMI Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) regulated activities under the SFO
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which “extreme conditions” caused by super typhoons is announced by the government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Capital Reduction”	the proposed reduction of the issued share capital of the Company by (a) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation being cancelled and (b) cancelling the paid-up capital of the Company to the extent of HK\$1.80 on each of the then issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$2.00 to HK\$0.20
“Capital Reorganisation”	collectively the Share Consolidation, the Capital Reduction and the Share Sub-division
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force

DEFINITIONS

“Companies Act”	the Companies Act (Revised) of the Cayman Islands, as consolidated and revised
“Company”	China Regenerative Medicine International Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM of the Stock Exchange (Stock Code: 8158)
“Completion”	completion of the Loan Capitalisation in accordance with the terms and conditions of the Subscription Agreement
“connected person(s)”; “connected transaction”	has the meaning ascribed to it under the GEM Listing Rules
“Consolidated Share(s)”	ordinary share(s) of par value of HK\$2.00 each in the share capital of the Company upon completion of the Share Consolidation
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Capital Reorganisation and the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Existing Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company prior to the completion of the Share Consolidation
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed to it under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended, or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Grand Court”	the Grand Court of the Cayman Islands

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKIRC”	HK International Regenerative Centre Limited (香港國際再生醫學中心有限公司), a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	Union Registrars Limited, the Company’s branch share registrar and transfer office in Hong Kong
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Ms. Huo Chunyu, Dr. Liu Ming and Mr. Leung Man Fai, to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “INCU”	INCU Corporate Finance Limited, a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than those that are required under the GEM Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM
“Latest Practicable Date”	14 August 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Loan Capitalisation”	the proposed allotment and issue of the Subscription Shares at the Subscription Price by capitalising the Repayment Amount upon the terms and conditions of the Subscription Agreement

DEFINITIONS

“Long-stop Date”	on the expiry of three (3) months after the date of the Subscription Agreement or such other date as the parties hereto may agree in writing
“Mr. Wang” or “Subscriber”	Mr. Wang Chuang, a Substantial Shareholder of the Company, the chairman of the Board, and the chief executive officer and an executive Director of the Company
“New Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company immediately after the completion of the Capital Reduction
“Repayment Amount”	the partial amount of Shareholder’s Loans due to Mr. Wang of HK\$16,000,000.05, being the agreed amount for setting-off against the subscription amount payable by Mr. Wang under the Subscription Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Existing Shares of par value of HK\$0.20 each in the share capital of the Company into one (1) Consolidated Share of par value of HK\$2.00 each
“Share(s)”	Existing Share(s), Consolidated Share(s), and/or New Share (s) as the case may be
“Shareholder(s)”	holder(s) of Shares
“Shareholder’s Loan A”	the loan agreement dated 31 December 2022, entered into between the Company and Mr. Wang pursuant to which Mr. Wang as lender has made a loan facility, which was unsecured, interest-free and repayable on demand, available to the Company as borrower in the principal amount of HK\$12,900,395.73 as at 31 December 2022
“Shareholder’s Loan B”	the loan agreement dated 31 December 2022, entered into between HKIRC and Mr. Wang pursuant to which Mr. Wang as lender has made a loan facility, which was unsecured, interest-free and repayable on demand, available to HKIRC as borrower in the principal amount of HK\$32,175,179.12 as at 31 December 2022

DEFINITIONS

“Shareholder’s Loans”	Shareholder’s Loan A and Shareholder’s Loan B
“Share Option(s)”	the share option(s) granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme as adopted by the Company pursuant to a resolution passed on 14 September 2011
“Share Sub-division”	the proposed sub-division of each authorised but unissued Consolidated Share of par value of HK\$2.00 each into ten (10) New Shares of par value of HK\$0.20 each
“Specific Mandate”	the specific mandate to be sought for the allotment and issue of the Subscription Shares, which is subject to approval by the Independent Shareholders voting by way of poll at the EGM
“Subscription Agreement”	the subscription agreement dated 14 July 2023 entered into between the Company and Mr. Wang in respect of the Loan Capitalisation
“Subscription Price”	the subscription price of HK\$0.85 per Subscription Share for the Loan Capitalisation
“Subscription Shares”	an aggregate of 18,823,530 New Shares to be allotted and issued to Mr. Wang pursuant to the terms and conditions of the Subscription Agreement
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“%”	per cent.

EXPECTED TIMETABLE

The expected timetable for the Share Consolidation, the Capital Reduction and the Share Sub-division is set out below. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Share Consolidation, the Capital Reduction and the Share Sub-division, including the availability and compliance with any requirements imposed by the Grand Court, and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates unless otherwise specified.

Event	Expected Date/Time
Despatch date of this Circular with the notice of the EGM and proxy form	Friday, 18 August 2023
Latest date and time for lodging transfer documents in order to qualify for attending and voting at the EGM	4:00 p.m. on Tuesday, 29 August 2023
Closure of the register of members for determining the entitlement to attend and vote at the EGM (both days inclusive).....	Wednesday, 30 August 2023 to Monday, 4 September 2023
Latest date and time for lodging proxy forms for the EGM	11:00 a.m. on Saturday, 2 September 2023
Record date for attending and voting at the EGM	Monday, 4 September 2023
Date and time of the EGM	11:00 a.m. on Monday, 4 September 2023
Announcement of poll results of the EGM	Monday, 4 September 2023
Register of members re-open	Tuesday, 5 September 2023

EXPECTED TIMETABLE

The following events are conditional on the fulfilment of the conditions for the implementation of the Share Consolidation, which are included in this circular.

Event	Expected Date/Time
Effective date of the Share Consolidation	Wednesday, 6 September 2023
First day of free exchange of existing share certificates into new share certificates for Consolidated Shares	Wednesday, 6 September 2023
Dealings in Consolidated Shares commence	9:00 a.m. on Wednesday, 6 September 2023
Original counter for trading in Existing Shares (in board lots of 5,000 Existing Shares) (in the form of existing share certificates) temporarily closes	9:00 a.m. on Wednesday, 6 September 2023
Temporary counter for trading in Consolidated Shares in temporary board lot of 500 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 6 September 2023
Original counter for trading in Consolidated Shares (in board lots of 5,000 Consolidated Shares in the form of new share certificates for Consolidated Shares) re-opens	9:00 a.m. on Wednesday, 20 September 2023
Parallel trading in the Existing Shares and Consolidated Shares (in the form of existing share certificates and new share certificates) commences	9:00 a.m. on Wednesday, 20 September 2023
Designated broker (being BMI) starts to stand in the market to provide matching services for odd lots of Consolidated Shares	9:00 a.m. on Wednesday, 20 September 2023
Designated broker (being BMI) ceases to stand in the market to provide matching services for odd lots of Consolidated Shares	4:00 p.m. on Wednesday, 11 October 2023

EXPECTED TIMETABLE

Event	Expected Date/Time
Temporary counter for trading in Consolidated Shares in temporary board lot of 500 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Wednesday, 11 October 2023
Parallel trading in the Existing Shares and Consolidated Shares (in the form of existing share certificates and new share certificates) ends.	4:10 p.m. on Wednesday, 11 October 2023
Last day for free exchange of existing share certificates into new share certificates for Consolidated Shares	Friday, 13 October 2023

The following events are conditional on the fulfilment of the conditions for the implementation of the Capital Reduction, which are included in this circular.

Event	Expected Date/Time
Grand Court hearing of petition to confirm the Capital Reduction	on or about Monday, 27 November 2023 (Cayman Islands Time)
Registration of court order confirming the Capital Reduction and the minute of the Order of the Capital Reduction with the Registrar of Companies in the Cayman Islands	on or about Monday, 4 December 2023 (Cayman Islands Time)
Effective date of the Capital Reduction	on or about Tuesday, 5 December 2023
Commencement of dealing in the New Shares	on or about 9:00 a.m. on Tuesday, 5 December 2023
First day of free exchange of share certificates for the Consolidated Shares into new share certificates for New Shares	on or about Tuesday, 5 December 2023
Last day for free exchange of share certificates for the Consolidated Shares into new share certificates for New Shares	on or about Friday, 5 January 2024

LETTER FROM THE BOARD



China Regenerative Medicine International Limited
中國再生醫學國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8158)

Executive Director:

Mr. Wang Chuang

(Chairman and Chief Executive Officer)

Non-executive Director:

Mr. Tsang Ho Yin

Independent non-executive Directors:

Mr. Leung Man Fai

Dr. Liu Ming

Ms. Huo Chunyu

Registered Office:

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Principal place of business
in Hong Kong:*

Suite 2310-18, Miramar Tower

132 Nathan Road

Tsim Sha Tsui, Kowloon

Hong Kong

18 August 2023

To Shareholders

Dear Sir or Madam,

- (1) PROPOSED CAPITAL REORGANISATION;**
**(2) CONNECTED TRANSACTION – LOAN CAPITALISATION INVOLVING
ISSUE OF SHARES UNDER SPECIFIC MANDATE;**
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the announcements of the Company dated 14 July 2023 and 4 August 2023 in relation to the Capital Reorganisation and the Loan Capitalisation.

The purpose of this circular is to provide Shareholders with (i) details of the Capital Reorganisation; (ii) further details of the Subscription Agreement and the transactions contemplated thereunder; (iii) the letter of recommendation from the Independent Board Committee in respect of Subscription Agreement and the transactions contemplated thereunder;

LETTER FROM THE BOARD

(iv) the letter of advice from the Independent Financial Adviser in respect of the Subscription Agreement and the transactions contemplated thereunder; (v) other information as required under the GEM Listing Rules; and (vi) the notice of the EGM.

PROPOSED SHARE CONSOLIDATION

The Company proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares of par value of HK\$0.20 each in the share capital of the Company be consolidated into one (1) Consolidated Share of par value of HK\$2.00 each.

Effect of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$1,000,000,000 divided into 5,000,000,000 Existing Shares of par value of HK\$0.20 each, of which 2,854,289,500 Existing Shares have been issued and are fully paid or credited as fully paid.

Immediately upon the Share Consolidation becoming effective but prior to the Capital Reduction becoming effective, and assuming there will be no change in the issued share capital of the Company from the Latest Practicable Date up to and including the effective date of the Share Consolidation, the authorised share capital of the Company shall be HK\$1,000,000,000 divided into 500,000,000 Consolidated Shares of par value of HK\$2.00 each, of which 285,428,950 Consolidated Shares will be in issue and fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, all the Consolidated Shares will rank *pari passu* in all respects with each other. Any fractional Consolidated Shares arising from the Share Consolidation will be aggregated and, if possible, sold for the benefit of the Company.

The implementation of the Share Consolidation will not alter the underlying assets, business operation, management or financial position of the Group and the interests and rights of the Shareholders, save that any fractional Consolidated Shares will not be allocated to Shareholders who may otherwise be entitled.

Conditions of the Share Consolidation

The Share Consolidation is conditional on the following conditions being fulfilled:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation;
- (ii) the GEM Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective; and

LETTER FROM THE BOARD

- (iii) the compliance with the relevant procedures and requirements under the applicable laws of the Cayman Islands and the GEM Listing Rules to effect the Share Consolidation.

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Wednesday, 6 September 2023, being one clear Business Day immediately after the date of the EGM.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Listing and dealings

Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective and the Consolidated Shares which may be issued pursuant to the exercise of the Share Options.

The Consolidated Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date 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 trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the Existing Shares or any debt securities of the Company are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becomes effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Fractional entitlement to the Consolidated Shares

Any fractional Consolidated Shares arising from the Share Consolidation will be disregarded and will not be issued to the Shareholders otherwise entitled thereto but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

LETTER FROM THE BOARD

Shareholders who are concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers and may wish to consider the possibility of buying or selling the Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

Adjustments in relation to other securities of the Company

As at the Latest Practicable Date, the Company has outstanding Share Options entitling holders thereof to subscribe for an aggregate amount of 7,207,200 Existing Shares under the Share Option Scheme. Pursuant to the terms of the Share Option Scheme, the Share Consolidation may lead to adjustments to the exercise price and/or the number of Shares falling to be issued upon the exercise of the outstanding Share Options. The Company will make further announcement(s) on such adjustments as and when appropriate.

Save as disclosed above, as at the Latest Practicable Date, the Company has no other outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Shares.

No Change in Board Lot Size

The Existing Shares are currently traded on the Stock Exchange in board lot size of 5,000 Existing Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain unchanged at 5,000 Consolidated Shares per board lot.

Based on the closing price of HK\$0.08 per Existing Share (equivalent to the theoretical closing price of HK\$0.8 per Consolidated Share) as at the Latest Practicable Date, (i) the value per board lot of 5,000 Existing Shares is HK\$400; and (ii) the value per board lot of 5,000 Consolidated Shares would be HK\$4,000 on the assumption that the Share Consolidation becomes effective.

Reasons for the Share Consolidation

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of its securities.

The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Stock Exchange on 28 November 2008 and updated on 1 October 2020 (the “Guide”) has stated that (i) market price of the shares at a level less than HK\$0.10 will be considered as trading at extremity as referred to under Rule 17.76 of the GEM Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the closing price of the Existing Share of the Company was HK\$0.08, with the board lot size of 5,000 Existing Shares, the existing board lot value was only HK\$400, which was less than HK\$2,000.

The Board considers that after the Share Consolidation become effective, the estimated board lot size value would be HK\$4,000, based on the closing price of the Existing Share of HK\$0.08 as at the Latest Practicable Date (equivalent to the theoretical closing price of HK\$0.8 per Consolidated Share), which would be more than the required HK\$2,000. This will enable the Company to comply with the trading requirements under the Guide and reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction cost for each securities trade. With a corresponding upward adjustment in the trading price of the Consolidated Shares, the Board believes that the Share Consolidation will make investing in the Shares more attractive to a broader range of investors, and therefore further broaden the shareholder base of the Company.

The Board considers that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

Arrangement on odd lot trading and matching services

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company has agreed to appoint BMI Securities Limited to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares.

The appointment of BMI to arrange for matching services regarding the sale and purchase of odd lots of the Consolidated Shares will commence from 9:00 a.m. on Wednesday, 20 September 2023 to 4:00 p.m. on Wednesday, 11 October 2023 (both days inclusive). Shareholders of odd lots of the Consolidated Shares may contact Ms. Queenie Yip (telephone number: (852) 3575 1313) of BMI Securities Limited at Suites 2701–2708, 27/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong during normal business hours in the aforesaid period.

Shareholders should note that matching of the sale and purchase of odd lots of Consolidated Shares is not guaranteed. Shareholders, who are in any doubt about the odd lots matching arrangement, are recommended to consult their own professional advisers.

Free exchange of certificates for the Consolidated Shares

Subject to the Share Consolidation becoming effective, which is currently expected to be on Wednesday, 6 September 2023, being one clear Business Day immediately after the date of the EGM, Shareholders may between 9:00 a.m. and 4:00 p.m. on any Business Day during the period from Wednesday, 6 September 2023 to Friday, 13 October 2023 (both days inclusive),

LETTER FROM THE BOARD

submit the existing share certificates for the Existing Shares (in blue colour) to the Company's Hong Kong Branch Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong to exchange for new share certificates for the Consolidated Shares (in purple colour) at the expense of the Company. Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 each (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Hong Kong Branch Share Registrar for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever the number of share certificates involved is higher. After 4:10 p.m. on Wednesday, 11 October 2023, existing share certificates in blue colour for the Existing Shares will cease to be valid for delivery, trading and settlement purpose, but will remain valid and effective as documents of title.

PROPOSED CAPITAL REDUCTION AND SHARE SUB-DIVISION

The Board further proposes that immediately following the Share Consolidation becoming effective, the Capital Reduction and the Share Sub-division be implemented in the following manner:

- (i) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation being cancelled;
- (ii) the par value of each of the issued Consolidated Shares be reduced from HK\$2.00 to HK\$0.20 per issued Consolidated Share by cancelling the paid up share capital to the extent of HK\$1.80 per issued Consolidated Share by way of a reduction of capital;
- (iii) the credit arising from the Capital Reduction be transferred to a distributable reserve account of the Company and be applied for such purposes (including offsetting accumulated losses of the Company (if any)) as permitted by all applicable laws, the memorandum and articles of association of the Company and as the Board considers appropriate;
- (iv) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares with par value of HK\$2.00 each be sub-divided into ten (10) New Shares of par value HK\$0.20 each;
- (v) each of the New Shares arising from the Capital Reduction shall rank *pari passu* in all respects with each other in accordance with the memorandum and the articles of association of the Company and have rights and privileges and be subject to the restrictions as contained in the memorandum and the articles of association of the Company.

LETTER FROM THE BOARD

Assuming that there are no other changes in the issued share capital of the Company from the Latest Practicable Date up to the effective date of the Share Consolidation, the share capital structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Share Consolidation; and (iii) immediately after completion of the Capital Reduction and the Share Sub-division is summarised as follows:

	As at the Latest Practicable Date	Immediately after completion of the Share Consolidation but prior to the Capital Reduction and the Share Sub-division becoming effective	Immediately after completion of the Capital Reduction and the Share Sub-division
Par value	HK\$0.20 per Existing Share	HK\$2.00 per Consolidated Share	HK\$0.20 per New Share
Number of authorised shares	5,000,000,000	500,000,000	5,000,000,000
Amount of authorised share capital	HK\$1,000,000,000	HK\$1,000,000,000	HK\$1,000,000,000
Number of issued shares	2,854,289,500	285,428,950	285,428,950
Amount of issued share capital	HK\$570,857,900	HK\$570,857,900	HK\$57,085,790
Number of unissued shares	2,145,710,500	214,571,050	4,714,571,050

Other than the expenses to be incurred in relation to the Capital Reorganisation which are expected to be insignificant in the context of the net asset value of the Company, the implementation of the Capital Reorganisation will not alter the underlying assets, business operation, management or financial position of the Group and the proportional interests and rights of the Shareholders, save that (i) any fractional Consolidated Shares will not be allocated to Shareholders who may otherwise be entitled; and (ii) the necessary professional expenses for the implementation of the Capital Reorganisation.

LETTER FROM THE BOARD

Conditions of the Capital Reduction and the Share Sub-division

The Capital Reduction and the Share Sub-division are conditional on the following conditions being fulfilled:

- (i) the Share Consolidation being approved at the EGM and become effective;
- (ii) the passing of a special resolution by the Shareholders at the EGM to approve the Capital Reduction and the Share Sub-division;
- (iii) an order being made by the Grand Court confirming the Capital Reduction;
- (iv) compliance with any terms and conditions which the Grand Court may impose in relation to the Capital Reduction;
- (v) registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Grand Court confirming the Capital Reduction and the minute approved by the Grand Court containing the particulars required under the Companies Act with respect to the Capital Reduction; and
- (vi) the GEM Listing Committee granting the listing of, and permission to deal in, the New Shares in issue and to be issued upon the Capital Reduction and the Share Sub-division becoming effective.

The Capital Reduction will become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Capital Reduction at the EGM, the legal advisers to the Company (as to the Cayman Islands law) will apply to the Grand Court for hearing date(s) to confirm the Capital Reduction and a further announcement will be made by the Company as soon as practicable after the Grand Court hearing date(s) is confirmed.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Reasons for the Capital Reduction and Share Sub-division

Under the Companies Act and the memorandum and articles of association of the Company, the Company may not issue its Shares at a discount to their nominal value. Immediately after completion of the Share Consolidation but before implementation of the Capital Reduction, the nominal value of the Consolidated Shares will be HK\$2.00 per Consolidated Share. The Capital Reduction will keep the nominal value of the New Shares at a lower level of HK\$0.20 per New Share, which allows greater flexibility in the pricing for any issue of New Shares in the future. The credit arising from the Capital Reduction will enable the Company to set off its accumulated loss. The Board considers that the Capital Reduction and the Share Sub-division are beneficial to and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

As at the Latest Practicable Date, save as the proposed Loan Capitalisation disclosed in this circular, the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Capital Reorganisation, and the Company does not have any concrete plan to conduct any equity fund raising activities in the next 12 months. However, the Board cannot rule out the possibility that subject to the prevailing market conditions, the Company will conduct debt financing when suitable opportunities arise in order to replenish its general working capital and/or to support future development of the Group. The Company will make further announcement in this regard in accordance with the GEM Listing Rules as and when appropriate.

Application for the listing of the New Shares

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the New Shares in issue and to be issued upon the Capital Reduction becoming effective and the New Shares which may be issued pursuant to the exercise of the Share Options.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealing in the New Shares on the Stock Exchange or such other date 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 trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the New Shares to be admitted into CCASS established and operated by HKSCC.

Exchange of share certificates for the New Shares

As the Grand Court hearing dates have yet to be fixed, the effective date of the Capital Reduction and the Share Sub-division is not ascertainable at present. Should the Capital Reduction and the Share Sub-division becoming effective, Shareholders may submit share certificates for the Consolidated Shares (in purple colour) to the Company's Hong Kong Branch Share Registrar, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong to exchange for new share certificates for the New Shares (in green colour) at the expense of the Company within the relevant free exchange period from the effective date of the Capital Reduction and the Share Sub-division. Details of such free exchange of share certificates will be announced as soon as the Grand Court hearing dates and the effective date of the Capital Reduction and the Share Sub-division is ascertained.

LETTER FROM THE BOARD

The Company will publish announcement(s) to update the Shareholders when the Grand Court hearing dates, the effective date of the Capital Reduction and the Share Sub-division, and the period when the Shareholders can submit share certificates for the Consolidated Shares to exchange for new share certificates for the New Shares is/are ascertained and/or updated. All existing share certificates of the Consolidated Shares will continue to be evidence of title to such Shares and be valid for delivery, trading and settlement purpose.

PROPOSED LOAN CAPITALISATION

Background

The Company further proposes, subject to the Capital Reorganisation becoming effective, to implement the Loan Capitalisation.

As at the Latest Practicable Date, the amount due to the Subscriber from the Group was approximately HK\$47.3 million. The Subscriber, an executive Director, chairman of the Board and chief executive officer of the Company and a Substantial Shareholder of the Company, has been providing shareholders loans to the Group as a support to the business and daily operation of the Group. On 31 December 2022, the Subscriber entered into Shareholder's Loan A and Shareholder's Loan B with the Company and HKIRC, respectively. Shareholder's Loans are unsecured, interest-free and repayable on demand. As disclosed in the 2022 Annual Report, the amount due to the Shareholders amounted to approximately HK\$48.4 million, of which approximately HK\$45.1 million was due to the Subscriber. Pursuant to the Subscription Agreement, the Company intends to allocate the gross proceeds under the Subscription Agreement of approximately HK\$16.0 million to settle part of the Shareholder's Loans.

Assuming that there are no change to the Shareholder's Loans from the Latest Practicable Date up to the Completion, upon the Completion, the remaining amount due to the Subscriber was approximately HK\$31.3 million which will be settled by the Group's internal resources in due course. The Group may allocate a portion of its cash inflow to settle the remaining amount due to the Subscriber. As the Shareholders' Loan is unsecured, interest-free and repayable on demand, the Group has no specific timeline for the settlement of the remaining amount due to the Subscriber. The Group may conduct alternative fund-raising methods when suitable opportunities and needs arise.

The Subscription Agreement

- Date: 14 July 2023 (after trading hours)
- Parties: (a) the Company (as the issuer);
- (b) Mr. Wang (as the Subscriber); and
- (c) HKIRC.

LETTER FROM THE BOARD

Subscription Shares

On 14 July 2023 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 18,823,530 Subscription Shares at the Subscription Price of HK\$0.85 per Subscription Share (after taking into account the effect of the Capital Reorganisation and equivalent to the theoretical share price of HK\$0.085 prior to the Capital Reorganisation). The subscription amount payable by the Subscriber of approximately HK\$16.0 million under the Subscription Agreement shall be satisfied by capitalising approximately HK\$16.0 million of the Shareholder's Loans.

The settlement arrangement shall be as follows:

- (i) the full amount of HK\$12,900,395.73 of the Shareholder's Loan A shall be deemed to have been fully and finally satisfied;
- (ii) the partial amount of HK\$3,099,604.77 of the Shareholder's Loan B shall be deemed to have been fully and finally satisfied.

Assuming that there is no change to the Shareholder's Loans from the Latest Practicable Date up to the Completion, upon the Completion, the remaining amount pursuant to the Shareholder's Loan B due to the Subscriber was approximately HK\$31.3 million which will be settled by the Group's internal resources in due course.

Upon the allotment and issue of 18,823,530 Subscription Shares at the Completion, the repayment obligations of the Company for approximately HK\$16.0 million under the Shareholder's Loans will be discharged.

Save for the Capital Reorganisation, assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Completion, the total of 18,823,530 Subscription Shares represent:

- (i) approximately 6.60% of the issued share capital of the Company as at the Latest Practicable Date (after taking into account the effect of the Capital Reorganisation);
- (ii) approximately 6.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (after taking into account the effect of the Capital Reorganisation).

LETTER FROM THE BOARD

Subscription Price

The Subscription Price of HK\$0.85 (after taking into account the effect of the Capital Reorganisation and equivalent to the theoretical share price of HK\$0.085 prior to the Capital Reorganisation) per Subscription Share represents:

- (i) a premium of approximately 8.97% to the theoretical closing price of HK\$0.78 per New Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.078 per Existing Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a premium of approximately 24.63% to the theoretical average closing price of HK\$0.682 per New Share (after taking into account the effect of the Capital Reorganisation) based on the average closing prices of approximately HK\$0.0682 of the Existing Share as quoted on the Stock Exchange for the last five consecutive trading days preceding the date of the Subscription Agreement;
- (iii) a premium of approximately 23.73% to the average closing price of HK\$0.687 per New Share (after taking into account the effect of the Capital Reorganisation) based on the average closing prices of approximately HK\$0.0687 of the Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days preceding the date of the Subscription Agreement;
- (iv) a premium of approximately 6.25% to the closing price of HK\$0.8 per New Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.08 per Existing Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (v) a premium of approximately 133.52% to the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.364 per New Share (after taking into account the effect of the Capital Reorganisation and based on the 285,428,950 Consolidated Shares in issue as at the Latest Practicable Date and the consolidated net asset value attributable to the owners of the Company of approximately HK\$103.9 million as at 31 December 2022).

The Subscription Shares have an aggregate nominal value of HK\$3,764,706 (after taking into account the effect of the Capital Reorganisation).

The Subscription Price was determined after arm's length negotiation between the Company and the Subscriber with reference to the prevailing market prices of the Shares and the financial position of the Group, with reference to, among others, (i) the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.364 per New Share (after taking into account the effect of the Capital Reorganisation and based on the 285,428,950 Consolidated Shares in issue as at the Latest Practicable Date and the consolidated net asset value attributable to the owners of the Company of approximately HK\$103.9 million as at

LETTER FROM THE BOARD

31 December 2022); and (ii) the profit made by the Group for the years ended 31 December 2021 and 2022, and the three months ended 31 March 2023. The Directors (other than Mr. Wang, the executive Director, who has abstained from voting on the Board resolution(s) for approving the Loan Capitalisation and the transactions contemplated thereunder) consider that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the subscription amount payable by the Subscriber of approximately HK\$16.0 million under the Subscription Agreement shall be satisfied by capitalising the Repayment Amount, the Group will use its internal resources to settle the professional fees and all related expenses which may be borne by the Company in connection with the Loan Capitalisation. The net proceeds will be approximately HK\$14,877,750 and the net issue price per Subscription Share will be approximately HK\$0.79.

Ranking of the Subscription Shares

The Subscription Shares when allotted and issued shall rank *pari passu* in all respects with the Shares in issue on the date of their allotment and issue, including as to the rights to receive all dividends and distributions which may be declared, made or paid after the completion date of the Subscription Agreement and will be issued free and clear from all liens, encumbrances, equities or other third party.

Application for listing

An application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

Conditions precedent

Completion is conditional upon fulfillment of the following conditions before the Long-stop Date:

- (i) the Capital Reorganisation becoming effective;
- (ii) the passing of the resolutions by the Board approving, among other things, the Subscription Agreement in accordance with the relevant provisions of the memorandum and articles of association of the Company and the GEM Listing Rules;
- (iii) the Independent Shareholders having approved the granting of the Specific Mandate and the terms of the Subscription Agreement and authorised the Company to enter into the Subscription Agreement and perform its obligations thereunder;

LETTER FROM THE BOARD

- (iv) the representations and warranties made by the parties thereunder are true and accurate and not misleading as at the date of the Subscription Agreement and at Completion;
- (v) the Company has obtained all other necessary consents, approvals, permits or licences from relevant governmental or regulatory authorities or other third parties in relation to the transactions contemplated under the Subscription Agreement; and
- (iv) the GEM Listing Committee of the Stock Exchange has granted the approval for the listing of the Subscription Shares and granted permission to deal in the Subscription Shares and such approval and permission has not been withdrawn or revoked.

As at the Latest Practicable Date, none of the above conditions has been fulfilled. Pursuant to the Subscription Agreement, none of the above conditions can be waived.

Completion

Completion will take place within five Business Days after the date on which all the conditions to the Subscription Agreement are satisfied (or such other date as the Company and the Subscriber may agree in writing). Based on the expected timetable, the Capital Reorganisation is expected to become effective on or around 5 December 2023.

Specific Mandate

The 18,823,530 Subscription Shares shall be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM.

Information on the Company and the Group

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of healthcare products and services.

Information on the Subscriber

Mr. Wang is an executive Director, chairman of the Board and chief executive officer of the Company and a Substantial Shareholder of the Company. As at the Latest Practicable Date, Mr. Wang is interested in 550,520,000 Existing Shares, representing approximately 19.29% of the total issued share capital of the Company. Accordingly, Mr. Wang is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

Reasons for and benefits of the Loan Capitalisation

The Subscriber is an executive Director, chairman of the Board and chief executive officer of the Company and a Substantial Shareholder of the Company. He has provided the Shareholder's Loans to the Group to support the daily operation and the business of the Group.

LETTER FROM THE BOARD

As disclosed in the 2022 Annual Report, the amount due to the Shareholders as at 31 December 2022 was approximately HK\$48.4 million of which approximately HK\$45.1 million was due to the Subscriber. The Group intends to allocate the gross proceeds from the Subscription of approximately HK\$16.0 million to settle part of the amount due to the Subscriber.

Assuming that there are no change to the Shareholder's Loans from the Latest Practicable Date up to the Completion, upon the Completion, the remaining amount due to the Subscriber was approximately HK\$31.3 million which will be settled by the Group's internal resources in due course.

According to the 2022 Annual Report, as at 31 December 2022, the Group recorded net current assets and the total assets of approximately HK\$90.9 million and HK\$249.1 million, respectively. Moreover, cash and cash equivalents of the Group as at 31 December 2022 was approximately HK\$1,849,000. Given the financial positions of the Group, the Group is not able to repay the amount due to the Subscriber with the existing financial resources of the Company. Capitalisation of the Repayment Amount enables the Group to settle its existing liabilities without utilising existing financial resources of the Company and can avoid cash outflows. Furthermore, the capitalisation of the Repayment Amount reduces the indebtedness level of the Company and broadens its capital base.

The Directors have considered other alternative means for raising funds to settle the Shareholder's Loans, such as bank borrowings, share placement, rights issue or open offer. However, having taken into account that:

- (i) debt financing and bank borrowing will inevitably increase the gearing ratio of the Group and lenders generally require pledge of assets from the borrower;
- (ii) the capitalisation of the Repayment Amount under the Subscription Agreement will reduce the indebtedness of the Group;
- (iii) other equity financing such as placing of new shares, rights issue and open offer usually require attractive discount to the prevailing market price of the Shares and is relatively more time consuming and less cost effective as compared to the Loan Capitalisation;
- (iv) the Subscription Price represents a premium over the market price of the Shares as of the date of the Subscription Agreement; and
- (v) the Loan Capitalisation demonstrates the support and solid confidence given by the Subscriber to the Group,

the Directors consider that the Loan Capitalisation is a more desirable solution for the Group to settle the Repayment Amount.

LETTER FROM THE BOARD

Although the allotment and issue of the Subscription Shares will have a dilution effect to the existing Shareholders, having considered (i) the Subscription Price represents a premium over the market price of the Shares as at the date of the Subscription Agreement; (ii) the Company can release from the pressure to satisfy the Repayment Amount; and (iii) the Subscription Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will enlarge the capital base and enhance the net asset position of the Company, the Directors consider that the dilution effect arising from the allotment and issue of the Subscription Shares is justifiable in this regard.

In view of the above, the Directors (other than the Subscriber who is the executive Director and has abstained from voting on the Board resolution(s) for approving the Loan Capitalisation and the transactions contemplated thereunder) consider that the terms of the Subscription Agreement are fair and reasonable, on normal commercial terms or better and that the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

Fund raising exercise of the Company in the past twelve months

The Company has not conducted any fund-raising activities in the past twelve months immediately preceding the Latest Practicable Date.

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 before the Completion and after the Capital Reorganisation; and (iii) immediately after the Completion and after the Capital Reorganisation:

	As at the Latest Practicable Date		Immediately before the Completion and after the Capital Reorganisation		Immediately after the Completion and after the Capital Reorganisation	
	<i>No. of Existing Shares</i>		<i>No. of New Shares</i>		<i>No. of New Shares</i>	
		%		%		%
The Subscriber	550,520,000	19.3	55,052,000	19.3	73,875,530	24.3
All Favour Holdings Limited ^(Note 1)	582,547,765	20.4	58,254,776	20.4	58,254,776	19.1
Public Shareholders	1,721,221,735	60.3	172,122,174	60.3	172,122,174	56.6
Total	2,854,289,500	100.0	285,428,950	100.0	304,252,480	100.0

LETTER FROM THE BOARD

Note:

1. All Favour Holdings Limited (“**All Favour**”) is beneficially owned as to (i) 40% by Nat-Ace Wood Industry Ltd. (“**Nat-Ace Wood Industry**”) and 20% by Honour Top Holdings Limited, of which Nat-Ace Wood Industry is ultimately and wholly-owned by Mr. Li Ren (“**Mr. Li**”) and Honour Top Holdings Limited is ultimately wholly owned by Mr. Dai Yumin (“**Mr. Dai**”), and (ii) 40% by Mr. Dai. Moreover, All Favour has been the beneficial owner of 582,547,765 Existing Shares. By virtue of the SFO, Mr. Dai, Mr. Li and Nat-Ace Wood Industry are deemed to be interested in 582,547,765 Existing Shares in which All Favour is interested in.

On 31 March 2022, a bankruptcy order was made against Mr. Dai. Subsequently, Messrs. Arab Osman Mohammed and Mr. Wong Kwok Keung were appointed as joint and several trustees (the “**Trustees**”) of the property of Mr. Dai at the general meeting of creditors held on 6 May 2022. Accordingly, the property of Mr. Dai, including his shareholdings, shall vest in the Trustees pursuant to section 58(2) of the Bankruptcy Ordinance (Cap. 6).

GEM LISTING RULES IMPLICATION

Loan Capitalisation

As at the Latest Practicable Date, the Subscriber is an executive Director, chairman of the Board and chief executive officer of the Company and a Substantial Shareholder of the Company. As at the Latest Practicable Date, the Subscriber is interested in 550,520,000 Existing Shares, representing approximately 19.29% of the total issued share capital of the Company. The Subscription Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM. Pursuant to Rule 20.07(1) of the GEM Listing Rules, the Subscriber, being an executive Director, is a connected person of the Company. Accordingly, the Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and are subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder. The Company has appointed INCU as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Given that the Subscriber has a material interest in the Loan Capitalisation, the Subscriber and his associate are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate.

LETTER FROM THE BOARD

EGM

Set out on pages EGM-1 to EGM-5 of this circular notice convening the EGM to be held at 11 a.m. on Monday, 4 September 2023 at Suite 2310–2318, Miramar Tower, 132 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong for the purpose of considering and, if thought fit, approving the relevant special and ordinary resolution(s) in respect of the Capital Reorganisation and the Loan Capitalisation.

Pursuant to Rule 20.03 of the GEM Listing Rules, any Shareholder with a material interest in the relevant connected transaction is required to abstain from voting on the relevant resolution(s) at the EGM. Given that the Subscriber has a material interest in the Loan Capitalisation, the Subscriber and his associates are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as the Subscriber and his associates, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.crmi.hk). Whether or not Shareholders are able to attend and vote at the EGM in person, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong Branch Share Registrar, Union Registrars Limited, at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if they so wish and, in such event, the form of proxy shall be deemed to be revoked.

VOTING BY WAY OF POLL

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll, except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolutions proposed at the EGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 30 August 2023 to Monday, 4 September 2023, both dates inclusive, during which period no transfer of Shares will be registered, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the

LETTER FROM THE BOARD

Company's Hong Kong Branch Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than Tuesday, 29 August 2023 at 4:00 p.m..

RECOMMENDATION

The Directors (excluding Mr. Wang but including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that although the entering into of the Subscription Agreement is not in the ordinary and usual course of the business of the Group, the terms of the Subscription Agreement and the transactions contemplated thereunder to be on normal commercial terms, fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of Subscription Shares under Specific Mandate).

The Directors also consider that the Capital Reorganisation is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Capital Reorganisation.

Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 28 to 29 of this circular which contains its views in relation to the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandate), (ii) the letter from the Independent Financial Adviser set out on pages 30 to 47 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandate); and (iii) the appendix to this circular.

Yours faithfully,

By Order of the Board

China Regenerative Medicine International Limited

Khoo Wun Fat William

Company Secretary

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders as to its opinion and recommendations in respect of the Subscription Agreement and the transactions contemplated thereunder.



China Regenerative Medicine International Limited

中國再生醫學國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8158)

18 August 2023

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION LOAN CAPITALISATION INVOLVING ISSUE OF SHARES UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 18 August 2023 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter, unless the context otherwise requires. We have been appointed as members of the Independent Board Committee to give a recommendation to the Independent Shareholders as to (i) whether the terms of the Subscription Agreement are on normal commercial terms or better and are fair and reasonable; (ii) whether the Subscription Agreement and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group; and (iii) whether the Loan Capitalisation, together with the proposed issue and allotment of Subscription Shares under the Specific Mandate are on normal commercial terms and fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and to give a recommendation as to voting at the EGM.

We wish to draw your attention to the letter from the Board, the letter of advice from INCU Corporate Finance Limited and additional information in Appendix I as set out in the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Subscription Agreement and the transactions contemplated thereunder and the advice given by INCU Corporate Finance Limited, we are of the opinion that the Subscription Agreement and the transactions contemplated thereunder, including the Specific Mandate, are not in the ordinary course of business of the Group, but are on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

Yours faithfully,
For and on behalf of
Independent Board Committee

Ms. Huo Chunyu
Independent
non-executive Director

Dr. Liu Ming
Independent
non-executive Director

Mr. Leung Man Fai
Independent
non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Loan Capitalisation.



INCUC Corporate Finance Limited
Unit 1402, 14/F,
Winsome House,
73 Wyndham Street,
Central, Hong Kong

18 August 2023

*To: The Independent Board Committee and
the Independent Shareholders of
China Regenerative Medicine International Limited*

Dear Sirs or Madams,

CONNECTED TRANSACTION IN RELATION TO LOAN CAPITALISATION INVOLVING ISSUE OF SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Loan Capitalisation set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company dated 18 August 2023 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

References are made to the announcements of the Company dated 14 July 2023 and 4 August 2023. On 14 July 2023 (after trading hours), among other things, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 18,823,530 Subscription Shares at the Subscription Price of HK\$0.85 per Subscription Share (after taking into account the effect of the Capital Reorganisation and equivalent to the theoretical share price of HK\$0.085 prior to the Capital Reorganisation). The subscription amount payable by the Subscriber of approximately HK\$16.0 million under the Subscription Agreement shall be satisfied by capitalising the Repayment Amount. Upon the allotment and issue of 18,823,530 Subscription Shares at the Completion, the repayment obligations of the Company for the Repayment Amount will be discharged.

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As at the Latest Practicable Date, the Subscriber is an executive Director, chairman of the Board and chief executive officer of the Company and a Substantial Shareholder of the Company. As at the Latest Practicable Date, the Subscriber is interested in 550,520,000 Existing Shares, representing approximately 19.29% of the total issued share capital of the Company. The Subscription Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM. Pursuant to Rule 20.07(1) of the GEM Listing Rules, the Subscriber, being an executive Director, is a connected person of the Company. Accordingly, the Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. As the Subscription Shares will be allotted and issued under the Specific Mandate to be obtained at the EGM, the grant of the Specific Mandate for the allotment and issue of the Subscription Shares is subject to the Independent Shareholders' approval at the EGM.

Given that the Subscriber has a material interest in the Loan Capitalisation, the Subscriber and his associate are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate.

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Huo Chunyu, Dr. Liu Ming and Mr. Leung Man Fai, has been formed to advise the Independent Shareholders as to whether the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, taking into account our recommendations.

As the Independent Financial Adviser, our role is to give independent opinions to the Independent Board Committee and the Independent Shareholders as to whether the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

We have not acted as an independent financial adviser and has not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalisation. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Loan Capitalisation, and accordingly, are eligible to give independent advice and recommendations on the Loan Capitalisation. Apart from normal professional fees payable to us in connection with this appointment as the Independent

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Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Loan Capitalisation.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations relating to the operations, financial condition and prospects of the Group contained or referred to in this Circular and/or provided to us by the Company and the management of the Group. We have assumed that such information and any representation made to us were true, accurate and complete in all material respects as at the Latest Practicable Date and considered that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in this Circular have been arrived at after due and careful consideration and there are no other material facts not contained in this Circular, the omission of which would make any such statement made by them that contained in this Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld.

Our review and analyses were based upon, among others, the information provided by the Group including this Circular, the Subscription Agreement and certain published information from the public domain, including but not limited to, the annual report of the Company for the year ended 31 December 2022 (the “**Annual Report 2022**”). We have also discussed with the Directors and the management of the Group with respect to the reasons for the Loan Capitalisation, the terms of the Subscription Agreement, the businesses and outlook of the Group. We have not, however, for the purpose of this exercise, conducted any in-depth independent investigation into the businesses or affairs and future prospects of the Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendations in respect of the Loan Capitalisation, we have taken into consideration of the following principal factors and reasons:

1. Background and financial information of the Group

(a) Background of the Group

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of healthcare products and services.

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(b) Historical financial information of the Group

Set out below are the audited consolidated financial information of the Group for the two financial years ended 31 December 2021 and 31 December 2022 (“FY2021” and “FY2022” respectively) as extracted from the Annual Report 2022:

Consolidated financial performance of the Group

	FY2021	FY2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
Revenue from provision of healthcare products and services	282,897	231,612
Profit for the year attributable to the owners of the Company	51,827	4,555

During FY2021, the Group evaluated and compared each business segment and decided to dispose of the “cell products and services” and “cosmetics products and others” segments in order to focus its resources for the development of the healthcare products and services segment. All revenue set out in the above table is generated from provision of healthcare products and services.

As set out in the table above, the revenue decreased by approximately HK\$51.3 million or 18.1% to approximately HK\$231.6 million for FY2022, as compared with approximately HK\$282.9 million for FY2021. According to the Annual Report 2022, such decrease in revenue was mainly due to implementation of the tightened COVID-19 prevention and control measures in the PRC and Hong Kong during FY2022.

The Group recorded consolidated net profit attributable to the owners of the Company of approximately HK\$51.8 million and HK\$4.6 million for FY2021 and FY2022 respectively. Such reduction of net profit of approximately HK\$47.2 million or 91.1% was mainly due to the decrease in revenue in FY2022.

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Consolidated financial position of the Group

	As at 31 December 2021	As at 31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
Non-current assets		
Property, plant and equipment	753	3,173
Right-of-use assets	–	23,645
	753	26,818
Current assets		
Inventories	384	286
Trade receivables	208	71
Deposits, prepayment and other receivables	247,867	246,887
Cash and bank balances	9,929	1,849
	258,388	249,093
Total assets	259,141	275,911
Current liabilities		
Trade payables	89	53
Accrued charges and other payables	10,540	13,472
Contract liabilities	76,600	60,743
Lease liabilities	5,870	9,916
Shareholder's loans	29,954	48,414
Current tax payables	24,260	25,568
	147,313	158,166
Non-current liabilities		
Lease liabilities	–	13,682
Deferred tax liabilities	100	147
	100	13,829
Net current assets	111,075	90,927
Net assets	111,728	103,916

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As set out in the table above, the non-current assets of the Group increased from approximately HK\$0.8 million as at 31 December 2021 to approximately HK\$26.8 million as at 31 December 2022, representing an increase of approximately HK\$26.0 million. The non-current liabilities of the Group increased from approximately HK\$0.1 million as at 31 December 2021 to approximately HK\$13.8 million as at 31 December 2022, representing an increase of approximately HK\$13.7 million. The increase in non-current assets and non-current liabilities of the Group was mainly due to the increase in right-of-use assets and lease liabilities, which presents (i) the office premises leased by the Group and the lease obligation under the tenancy agreement entered into between the Company and an independent third party on 13 December 2021; and (ii) the equipments incurring in business operation under the lease and hire purchase agreement entered into between the Company and an independent third party on 9 June 2022 and 1 September 2022 respectively.

The current assets and current liabilities of the Group remained stable between 31 December 2021 and 31 December 2022. We note that the shareholder's loans of approximately HK\$30.0 million and HK\$48.4 million as at 31 December 2021 and 31 December 2022 respectively, representing 20.4% and 30.6% of the total current liabilities of the Group as at 31 December 2021 and 31 December 2022 respectively. The gearing ratio of the Group, calculated as the total borrowings (including the shareholder's loans and lease liabilities) to total equity, was approximately 69.3% as at 31 December 2022, as compared with 32.1% as at 31 December 2021.

According to the Annual Report 2022, we note that the Group recorded net cash outflow in operating activities of approximately HK\$3.0 million and HK\$17.7 million for FY2021 and FY2022 respectively. In order to finance the daily operation of the Group, the Group received net advance from shareholder's loans of approximately HK\$9.7 million and HK\$20.2 million for FY2021 and FY2022 respectively, which was one of the reasons that the gearing ratio worsen during FY2022. The shareholder's loans were unsecured, interest-free and repayable on demand.

We have discussed with the management of the Group, the Group had only cash and bank balances of approximately HK\$0.8 million as at 30 June 2023. Based on the above information, the Group may not have sufficient cash generated from its operation to repay the shareholder's loans. Therefore, we consider that Loan Capitalisation would allow the Group to fulfill part of its financial obligation to the shareholder's loans. The Loan Capitalisation could also improve the financial position of the Group and reduce the gearing ratio. Therefore, we consider the Loan Capitalisation is in the interests of the Company and the Shareholders as a whole.

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2. Reasons for and benefits of the Loan Capitalisation and use of proceeds

(a) Intended use of proceeds

As disclosed in the Letter from the Board, the Subscriber is an executive Director, chairman of the Board and chief executive officer of the Company and a Substantial Shareholder of the Company. The Subscriber has provided the Shareholder's Loans to the Group to support the daily operation and the business of the Group. As disclosed in the 2022 Annual Report, the amount due to the Shareholders as at 31 December 2022 was approximately HK\$48.4 million of which approximately HK\$45.1 million was due to the Subscriber. The Group intends to allocate the gross proceeds from the subscription of approximately HK\$16.0 million to settle part of the amount due to the Subscriber.

(b) Alternative sources of financing

We have discussed with the management of the Group that the Group has considered the pros and cons of alternative fund-raising methods, including but not limited to debt financing and equity financing such as the placing of new Shares and open offer, before resolving to the Loan Capitalisation.

In respect of debt financing, the Company has approached six commercial banks to explore possibility of new bank borrowings to replace the Shareholder's Loans. However, five of them either expressed no interest in providing loan to the Company or requested high interests for bank borrowings which the Board considers new bank borrowings will increase the interest burden of the Group and contrary to the Group's intention to reduce its gearing. One of them is processing the application procedure in providing loan to the Company but no feedback as at the Latest Practicable Date. As the net profit of the Group has dropped by approximately HK\$47.2 million or 91.1% in FY2022 as compared with that in FY2021 and the Group has recorded net cash outflow in operating activities in the last two financial years, it would be difficult for the Company to obtain favourable terms from the banks. Therefore, debt financing is not considered as a viable fundraising option.

In respect of equity financing, the Board considers that placing of new shares, rights issue and open offer usually require attractive discount to the prevailing market price of the Shares and is relatively more time consuming and less cost effective as compared to the Loan Capitalisation because (i) more documentation is typically required for placing of new shares or rights issue or open offer than a subscription; and (ii) the Company would incur higher cost as more professional parties would need to be engaged in placing of new shares or open offer or rights issue.

On the other hand, (i) the Loan Capitalisation could settle part of the Shareholder's Loan without incurring any cash outlays in order to release the Company's pressure to satisfy the Repayment Amount; (ii) the Loan Capitalisation could enlarge the capital base, improve the net asset position and reduce the gearing ratio of the Group, which will be further discussed below in section headed "6. Possible financial effects of the Loan

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Capitalisation”; (iii) the Subscription Price represents a premium over the closing price of the Shares as at the date of the Subscription Agreement; and (iv) the Loan Capitalisation reflects the support and solid confidence given by the Subscriber to the Group.

Having considering the reasons for and benefits of the Loan Capitalisation as compared with other alternative financing activities, we concur with the Directors’ view that the Loan Capitalisation is the most feasible way to achieve potential interest cost saving and improve the net asset position of the Company without causing material dilution in the shareholding interest of the existing Shareholders. We therefore are of the view that it is commercially justifiable for the Group to enter into the Subscription Agreement and is in the interest of the Company and the Shareholders as a whole.

3. Principal terms of the Subscription Agreement

Date: 14 July 2023 (after trading hours)

Parties: (a) the Company (as the issuer);
(b) Mr. Wang (as the Subscriber); and
(c) HKIRC.

Subscription Shares

On 14 July 2023 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 18,823,530 Subscription Shares at the Subscription Price of HK\$0.85 per Subscription Share (after taking into account the effect of the Capital Reorganisation and equivalent to the theoretical share price of HK\$0.085 prior to the Capital Reorganisation). The subscription amount payable by the Subscriber of HK\$16.0 million under the Subscription Agreement shall be satisfied by capitalising HK\$16.0 million of the Shareholder’s Loans.

The settlement arrangement shall be as follows:

- (i) the full amount of HK\$12,900,395.73 of the Shareholder’s Loan A shall be deemed to have been fully and finally satisfied; and
- (ii) the partial amount of HK\$3,099,604.77 of the Shareholder’s Loan B shall be deemed to have been fully and finally satisfied.

Assuming that there is no change to the Shareholder’s Loans from the Latest Practicable Date up to the Completion, upon the Completion, the remaining amount pursuant to the Shareholder’s Loan B due to the Subscriber was approximately HK\$31.3 million which will be settled by the Group’s internal resources in due course. The Group

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may allocate a portion of its cash inflow to settle the remaining amount due to the Subscriber. As the Shareholder's Loan is unsecured, interest-free and repayable on demand, the Group has no specific timeline for the settlement of the remaining amount due to the Subscriber. The Group may conduct alternative fund-raising methods when suitable opportunities and needs arise.

Upon the allotment and issue of 18,823,530 Subscription Shares at the Completion, the repayment obligations of the Company for approximately HK\$16.0 million under the Shareholder's Loans will be discharged.

Save for the Capital Reorganisation, assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Completion, the total of 18,823,530 Subscription Shares represent:

- (i) approximately 6.60% of the issued share capital of the Company as at the Latest Practicable Date (after taking into account the effect of the Capital Reorganisation); and
- (ii) approximately 6.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (after taking into account the effect of the Capital Reorganisation).

The Subscription Shares when allotted and issued shall rank *pari passu* in all respects with the Shares in issue on the date of their allotment and issue, including as to the rights to receive all dividends and distributions which may be declared made or paid after the completion date of the Subscription Agreement and will be issued free and clear from all liens, encumbrances, equities or other third party.

Subscription Price

The Subscription Price of HK\$0.85 (after taking into account the effect of the Capital Reorganisation and equivalent to the theoretical share price of HK\$0.085 prior to the Capital Reorganisation) per Subscription Share represents:

- (i) a premium of approximately 8.97% over the theoretical closing price of HK\$0.78 per New Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.078 per Existing Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a premium of approximately 24.63% over the theoretical average closing price of HK\$0.682 per New Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK\$0.0682 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days preceding the date of the Subscription Agreement;

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- (iii) premium of approximately 23.73% over the average closing price of HK\$0.687 per New Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK\$0.0687 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days preceding the date of the Subscription Agreement;
- (iv) a premium of approximately 6.25% over the closing price of HK\$0.80 per New Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.08 per Existing Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (v) a premium of approximately 133.52% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.364 per New Share (after taking into account the effect of the Capital Reorganisation) based on the 285,428,950 Consolidated Shares and the consolidated net asset value attributable to the owners of the Company of approximately HK\$103.9 million as at 31 December 2022.

The Subscription Shares have an aggregate nominal value of HK\$3,764,706 (after taking into account the effect of the Capital Reorganisation).

According to the Letter from the Board, the Subscription Price was determined after arm's length negotiation between the Company and the Subscriber with reference to the prevailing market prices of the Shares and the financial position of the Group, with reference to, among others, (i) the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.364 per New Share (after taking into account the effect of the Capital Reorganisation and based on the 285,428,950 Consolidated Shares in issue as at the Latest Practicable Date and the consolidated net asset value attributable to the owners of the Company of approximately HK\$103.9 million as at 31 December 2022); and (ii) the profit made by the Group for the years ended 31 December 2021 and 2022, and the three months ended 31 March 2023. The Directors consider that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Analysis on the Subscription Price

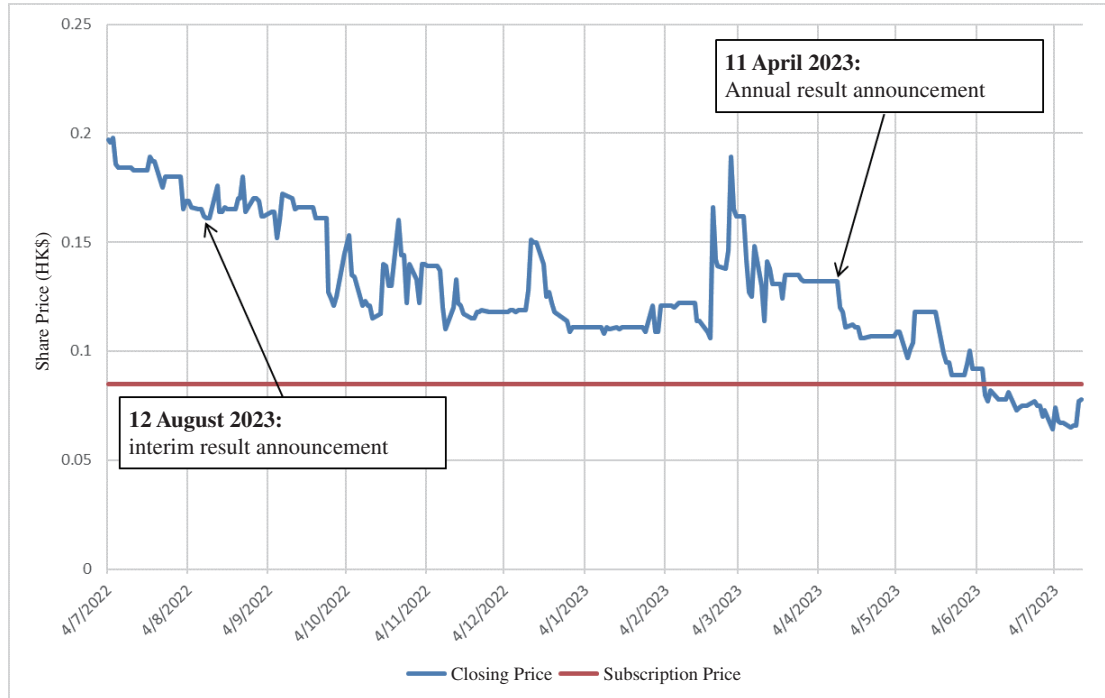
(a) Comparison with historical closing prices of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 4 July 2022 to the date of the Subscription Agreement (the “**Share Price Review Period**”) (being a period of approximately 12 months prior to and including the date of the Subscription Agreement) and compared with the Subscription Price. We consider the Share Price Review Period is a reasonably long period covering the annual operating cycle of the Company for analysis purpose, to illustrate the general trend and level of movement of the

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daily closing price and trading volume of the Shares and the Share Price Review Period is fair and representative to reflect the market assessment on the financial performance of the Group and the general market sentiment.

Chart 1: Historical closing prices of the Shares



Source: website of the Stock Exchange

As shown in the chart above, during the Share Price Review Period, the average closing price was approximately HK\$0.129 per Share (equivalent to HK\$1.29 per New Share after the Capital Reorganisation becoming effective) (the “**Average Closing Price**”). The daily closing price ranged from HK\$0.064 per Share (equivalent to HK\$0.64 per New Share after the Capital Reorganisation becoming effective) recorded on 3 July 2023 (the “**Lowest Closing Price**”) to HK\$0.198 recorded on 6 July 2022 (equivalent to HK\$1.98 per New Share after the Capital Reorganisation becoming effective) (the “**Highest Closing Price**”).

We note that the Subscription Price of HK\$0.85 (after taking into account the effect of the Capital Reorganisation and equivalent to the theoretical share price of HK\$0.085 prior to the Capital Reorganisation) represents (i) a premium of approximately 32.8% over the Lowest Closing Price of HK\$0.64 per New Share after the Capital Reorganisation becoming effective; (ii) a discount of approximately 57.1% to the Highest Closing Price of HK\$1.98 per Share after the Capital Reorganisation becoming effective; and (iii) a discount of approximately 34.1% to the Average Closing Price of HK\$1.29 per New Share after the Capital Reorganisation becoming effective. Although the Subscription Price represents a discount to the Average Closing Price, as shown in the Chart 1 above, the closing price of the Shares demonstrated a downward trend over the Share Price Review Period.

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(b) Historical trading liquidity of the Shares

Month	Number of trading days	Monthly turnover	Average daily turnover	Number of days with no turnover	% of average daily turnover over total number of Shares in issue	Average daily turnover by value on Stock Exchange (HK\$ million)	Total market capitalisation of listed securities on Stock Exchange (HK\$ billion)	Market Trading Turnover Ratio
2022					<i>(Note 1)</i>			<i>(Note 2)</i>
July	20	5,171,750	258,588	6	0.01%	108,558	35,888.6	0.30%
August	23	4,155,000	180,652	9	0.01%	92,392	35,590.7	0.26%
September	21	11,704,859	557,374	3	0.02%	92,872	30,827.2	0.30%
October	20	9,213,250	460,663	4	0.02%	104,595	26,394.6	0.40%
November	22	9,257,750	420,807	4	0.01%	140,358	33,317.8	0.42%
December	20	9,370,500	468,525	5	0.02%	135,471	35,666.8	0.38%
2023								
January	18	681,250	37,847	5	0.00%	139,960	38,986.8	0.36%
February	20	1,733,500	86,675	7	0.00%	118,381	35,807.6	0.33%
March	23	18,023,450	783,628	4	0.03%	126,528	36,902.3	0.34%
April	17	2,660,250	156,485	9	0.01%	108,857	35,855.4	0.30%
May	21	3,686,500	175,548	12	0.01%	101,042	32,789.9	0.31%
June	21	3,539,250	168,536	7	0.01%	99,768	33,869.6	0.29%
July (Note 3)	10	2,082,250	208,225	1	0.01%	102,298	36,045.1	0.28%
Total	256							

Source: website of the Stock Exchange

Note 1: Calculated based on the total number of the Shares at the end of each month.

Note 2: Calculated by the average daily turnover by value on Stock Exchange dividing by total market capitalisation of listed securities on Stock Exchange.

Note 3: Up to the date of the Subscription Agreement.

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As demonstrated in the table above, no trading of the Shares was recorded on 76 trading days on the Stock Exchange during the Share Price Review Period. The average daily trading volume of the Shares by month were in the range of approximately 0.00% to 0.03% as to the total number of issued Shares with an average of 0.01%. Upon our review of the “HKEx Monthly Market Highlights” for the period from July 2022 to July 2023 (the “**Relevant Period**”) available on the website of the Stock Exchange (https://www.hkex.com.hk/Market-Data/Statistics/Consolidated-Reports/HKEX-Monthly-Market-Highlights?sc_lang=en), we note that the average daily trading turnover to total market capitalisation of listed securities (including Main Board and GEM listed issuers) (the “**Market Trading Turnover Ratio**”) during such period ranged from approximately 0.26% to approximately 0.42% with the average of approximately 0.33%. We consider the Market Trading Turnover Ratio, as extracted from “HKEx Monthly Market Highlights”, is a representative indicator for overall trading volume of the securities listed on the Stock Exchange. In view of this, we consider the trading of the Shares of the Company as a listed issuer of the Stock Exchange are relatively thin during the Share Price Review Period, given that all the average daily trading volume of the Shares by month as to the total number of issued Shares during the Share Price Review Period is significantly below the respective the Market Trading Turnover Ratio during the Relevant Period. Therefore, we concur with the Directors’ view that other equity financing, such as placing of Shares, rights issue and open offer, will likely require considerable level of discount to the prevailing market price of the Shares as an incentive and it would be difficult for the Group to pursue fund raising of similar sizable equity in the repayment of the Shareholder’s Loans and limit the dilution from the issuance of new Shares at the same time.

(c) Comparison with recent share subscription exercises

In order to further assess the fairness and reasonableness of the terms of the Loan Capitalisation, we have identified an exhaustive list of 10 transactions (the “**Comparables**”), which (i) the share subscription and placing of new shares under specific mandate are conducted by the companies which are listed on the Stock Exchange with not more than HK\$1 billion of market capitalisation and not subject to prolonged suspension of trading; (ii) the fund raised from the share subscription and/or placing of shares is not for acquisition of assets; and (iii) the share subscription and placing of shares are announced from three months immediately prior to the date of the Subscription Agreement (the “**Comparable Review Period**”). We consider that the selection of the Comparables without considering the connected relationship of the subscriber(s) with the listed companies could provide a more balanced and comprehensive reference as the terms given to connected person(s) shall be no more favourable than the terms given to independent third party(ies) under the regulatory framework of the Stock Exchange. We consider the Comparable Review Period is adequate and fair and representative given that (i) such period would provide us with the recent and relevant information in relation to the pricing of issue of new shares of companies listed on the Stock Exchange to demonstrate the prevailing market practices prior to the date of Subscription Agreement; and (ii) we are able to identify an exhaustive list of 10 representative Comparables meeting the aforesaid criteria for comparison analysis in such period.

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Based on the above selection criteria, the Comparables represent an exhaustive list with reasonable sample size, and thus we consider that the Comparables represent a true and fair view of the recent market trend for similar subscription or placing of shares under specific mandate conducted by other issuers listed on the Stock Exchange. It should be noted that the purposes of the Comparables might be different from that of the Subscription Agreement, and the issuers of the Comparables might have different principal activities, market capitalisation, profitability and financial position as compared to those of the Company, while these Comparables could provide a reference of the pricing of subscription shares or placing shares under recent market environment and we consider them as an appropriate basis in assessing the reasonableness of the Subscription Price.

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Date of announcement	Stock code	Company name	Premium/(discount) of subscription price over/(to) closing price per share on the last trading day/ the date of relevant announcement or agreement	Premium/(discount) over/(to) the average closing price of last five consecutive trading days prior to/including the date of relevant announcement or agreement	Market capitalisation on the date of announcement (approximately HK\$ million)	Connected transaction (Yes/No)
14 July 2023	8163	Noiz Group Limited	21.35%	20.00%	50.44	Yes
10 July 2023	756	Summi (Group) Holdings Limited	-9.46%	-9.46%	168.87	Yes
9 July 2023	2222	NVC International Holdings Limited	16.90%	23.90%	300.14	Yes
19 June 2023	8368	Creative China Holdings Limited	-17.69%	-17.37%	96.98	Yes
9 June 2023	515	China Silver Technology Holdings Limited	-4.76%	-5.66%	70.29	No
29 May 2023	616	Eminence Enterprise Limited	-21.88%	-24.70%	34.01	No
28 April 2023	353	Energy International Investments Holdings Limited	-5.50%	-8.40%	317.05	Yes
26 April 2023	1611	New Huo Technology Holdings Limited (Note 1)	-9.57%	-11.79%	710.61	Yes
26 April 2023	1611	New Huo Technology Holdings Limited (Note 1)	-9.57%	-11.79%	710.61	No
20 April 2023	1282	Glory Sun Financial Group Limited	65.29% (Note 2)	67.46% (Note 2)	319.60	No
		Maximum (excluding outlier)	21.35%	23.90%		
		Minimum (excluding outlier)	-21.88%	-24.70%		
		Average (excluding outlier)	-4.46%	-5.03%		
14 July 2023		The Company	8.97%	24.63%	222.63	Yes

Source: website of the Stock Exchange

Note 1: New Huo Technology Holdings Limited announced on the same date that it entered into subscription agreements with both its connected person(s) and independent third party(ies) at the same subscription price respectively.

Note 2: The premiums of the relevant transaction were exceptionally high and considered to be outlier.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated from the above table, there are 7 out of 9 Comparables (after excluding the outlier) that the pricing of the share subscription or placing of shares represents a discount to the closing share prices on the last trading day or the date of relevant announcement or agreement. We note that the subscription prices of the Comparables (after excluding the outlier):

- (i) ranged from a discount of approximately 21.88% to a premium of approximately 21.35% (the “**Last Trading Date Range**”), with an average of a discount of approximately 4.46% for their respective closing prices per share on the last trading day prior to or on the dates of the relevant announcements of the Comparables; and
- (ii) ranged from a discount of approximately 24.70% to a premium of approximately 23.90% (the “**Last Five Trading Days Range**”), with an average of a discount of approximately 5.03% for the average of their respective closing prices per share of the last five trading days prior to or including the dates of the relevant announcements of the Comparables.

The Subscription Price of HK\$0.85 per Share (after taking into account the effect of the Capital Reorganisation and equivalent to the theoretical share price of HK\$0.085 prior to the Capital Reorganisation) represents (i) a premium of approximately 8.97% to the theoretical closing price of HK\$0.78 per New Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.078 per Existing Share as quoted on the Stock Exchange on the date of the Subscription Agreement (the “**Last Trading Date Premium**”); and (ii) a premium of approximately 24.63% to the theoretical average closing price of HK\$0.682 per New Share (after taking into account the effect of the Capital Reorganisation) based on the average closing prices of HK\$0.0682 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days preceding the date of the Subscription Agreement (the “**Last Five Trading Days Premium**”). We note that (i) the Last Trading Date Premium is within the Last Trading Date Range; and (ii) the Last Five Trading Days Premium is out of the Last Five Trading Days Range, but, given that the Subscription Price is premium over the average closing prices of the Existing Share as quoted on the Stock Exchange for the last five consecutive trading days preceding the date of the Subscription Agreement, it is considered that Last Five Trading Days Premium is more favourable than the Comparables.

Having considered that (i) the general downward trend of the closing price of the Shares in the last 12 months as discussed under the sub-section headed “Comparison with historical closing prices of the Shares” above; (ii) the Last Trading Date Premium is within the Last Trading Date Range; and (iii) the Last Five Trading Days Premium is more favourable than the Comparables, we are of the view that the Subscription Price is justifiable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Dilution effect of the Loan Capitalisation on the shareholding of the Company

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately before the Completion and after the Capital Reorganisation; and (iii) immediately after the Completion and the Capital Reorganisation:

	(i) As at the Latest Practicable Date		(ii) Immediately before the Completion and after the Capital Reorganisation		(iii) Immediately after the Completion and the Capital Reorganisation	
	<i>Approximate % of total no. of Shares in</i>	<i>Approximate % of total no. of Shares in</i>	<i>Approximate % of total no. of Shares in</i>	<i>Approximate % of total no. of Shares in</i>	<i>Approximate % of total no. of Shares in</i>	<i>Approximate % of total no. of Shares in</i>
	<i>No. of Shares</i>	<i>issue</i>	<i>No. of Shares</i>	<i>issue</i>	<i>No. of Shares</i>	<i>issue</i>
The Subscriber	550,520,000	19.3	55,052,000	19.3	73,875,530	24.3
All Favour Holdings Limited (<i>Note 1</i>)	582,547,765	20.4	58,254,776	20.4	58,254,776	19.1
Public Shareholders	1,721,221,735	60.3	172,122,174	60.3	172,122,174	56.6
Total	2,854,289,500	100.0	285,428,950	100.0	304,252,480	100.0

Note 1: All Favour Holdings Limited (“**All Favour**”) is beneficially owned as to (i) 40% by Nat-Ace Wood Industry Ltd. (“**Nat-Ace Wood Industry**”) and 20% by Honour Top Holdings Limited, of which Nat-Ace Wood Industry is ultimately and wholly-owned by Mr. Li Ren (“**Mr. Li**”) and Honour Top Holdings Limited is ultimately wholly owned by Mr. Dai Yumin (“**Mr. Dai**”), and (ii) 40% by Mr. Dai. Moreover, All Favour has been the beneficial owner of 582,547,765 Existing Shares. By virtue of the SFO, Mr. Dai, Mr. Li and Nat-Ace Wood Industry are deemed to be interested in 582,547,765 Existing Shares in which All Favour is interested in.

On 31 March 2022, a bankruptcy order was made against Mr. Dai. Subsequently, Messrs. Arab Osman Mohammed and Mr. Wong Kwok Keung were appointed as joint and several trustees (the “**Trustees**”) of the property of Mr. Dai at the general meeting of creditors held on 6 May 2022. Accordingly, the property of Mr. Dai, including his shareholdings, shall vest in the Trustees pursuant to section 58(2) of the Bankruptcy Ordinance (Cap. 6).

We note that upon Completion, assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Completion, the shareholding interests of the existing public Shareholders would be diluted from approximately 60.3% to 56.6% of the total number of issued Shares immediately before and after the Completion respectively.

Having considered that (i) the dilution effect is rather insignificant; (ii) the reasons for and benefits of the Loan Capitalisation as discussed above; and (iii) the positive impact on the financial position of the Group as a result of the Loan Capitalisation as detailed in paragraph headed “6. Possible financial effects of the Loan Capitalisation” below, we are of the view that the potential dilution effect on the shareholding interest of the public Shareholders as a result of the Loan Capitalisation is acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Possible financial effects of the Loan Capitalisation

It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will become upon Completion.

(a) *Earnings*

The Shareholder's Loans are interest free, therefore it is expected that there would be no impact on the earnings of the Group upon Completion.

(b) *Net asset value*

Upon the Completion, the subscription amount payable by the Subscriber under the Subscription Agreement shall be satisfied by capitalising part of the Shareholder's Loans of approximately HK\$16.0 million. The net asset value of the Group would be increased by approximately HK\$16.0 million upon the Completion.

(c) *Gearing ratio*

The gearing ratio of the Group, calculated as the total borrowings (including the shareholder's loans and lease liabilities) to total equity was approximately 69.3% as at 31 December 2022. Upon the Completion, the Shareholder's Loans will be reduced by approximately HK\$16.0 million and the total equity of the Group will be increased by approximately HK\$16.0 million. Therefore, the gearing ratio of the Group will be improved to 46.7%.

RECOMMENDATION

Having taken into account the above principal factors and reasons discussed above, we are of the opinion that although the Loan Capitalisation and the Subscription Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, the terms are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the upcoming EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
INCUCorporate Finance Limited
Gina Leung
Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCUCorporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

a. Interests in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the equity or debt securities of the Company or any associated corporations (within the meaning of part XV of the SFO) (i) which are required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) which was required, under Section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Capacity	Aggregate long position in the shares and underlying shares	Approximate percentage of the issued share capital
Wang Chuang	Beneficial owner	550,520,000 Shares (L)	19.29%

(L) denotes long position

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO), or (ii) required to be entered in the register required to be kept pursuant to Section 352 of the SFO, or (iii) where were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

b. Interests in assets of the Group

As at the Latest Practicable Date, none of the Directors are considered to have interests, either directly or indirectly, in any assets which have been (or are proposed to be) acquired, disposed of or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

c. Interests in contracts or arrangements of significance

As at the Latest Practicable Date, other than Mr. Wang Chuang, who is the Subscriber and one of the parties to the Subscription Agreement, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

d. Interests in competing business

As at the Latest Practicable Date, none of the Directors or any of their respective close associates is considered to have interests, either directly or indirectly, in a business which competes or is likely to compete with the businesses of the Group, as defined in the GEM Listing Rules.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON

As at the Latest Practicable Date, the interests or short positions of those persons (other than Directors whose interests are disclosed above) in the ordinary shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions

Interests in the shares and underlying shares of the Company

Name of Shareholders	Capacity	Aggregate long position in the shares and underlying shares	Approximate percentage of the issued share capital
All Favour Holdings Limited ^(Note 1)	Beneficial owner	582,547,765	20.41%
Arab Osman Mohammed ^(Note 1)	Others	583,422,765	20.44%
Wong Kwok Keung ^(Note 1)	Others	583,422,765	20.44%
Li Ren ^(Note 2)	Held by controlled corporation	582,547,765	20.41%
	Beneficial owner	21,380,000	0.75%
China Orient Asset Management Co., Ltd ^(Note 3)	Held by controlled corporation	157,744,659	5.57%
China Orient Alternative Investment Fund ^(Note 3)	Held by controlled corporation	157,744,659	5.57%
Changzhou Yaoguang Enterprise Management Consulting Limited Liability Partnership* ^(Note 4)	Held by controlled corporation	262,400,000	9.19%
Lei Changjuan ^(Note 4)	Held by controlled corporation	262,400,000	9.19%
Changzhou Minxing Enterprise Management Consulting Services Limited Liability Partnership* ^(Note 5)	Held by controlled corporation	160,600,000	5.63%
Kong Yu Dong ^(Note 5)	Held by controlled corporation	160,600,000	5.63%
Wang Xiaogang	Beneficial owner	149,450,000	5.24%

Notes:

1. All Favour Holdings Limited (“**All Favour**”) is beneficially owned as to (i) 40% by Nat-Ace Wood Industry Ltd. (“**Nat-Ace Wood Industry**”) and 20% by Honour Top Holdings Limited, of which Nat-Ace Wood Industry is ultimately and wholly-owned by Mr. Li Ren (“**Mr. Li**”) and Honour Top Holdings Limited is ultimately wholly owned by Mr. Dai Yumin (“**Mr. Dai**”), and (ii) 40% by Mr. Dai. Moreover, All Favour has been the beneficial owner of 582,547,765 Shares. By virtue of the SFO, Mr. Dai, Mr. Li and Nat-Ace Wood Industry are deemed to be interested in 582,547,765 Shares in which All Favour is interested in.

On 16 September 2015, Mr. Dai was granted 17,500,000 share options by the Company under the Scheme adopted by the Company on 14 September 2011 entitling him to subscribe for 17,500,000 Shares at the exercise price of HK\$0.45 per Share, subject to the terms and conditions of the Scheme of the Company. The number of Shares to be issued upon full exercise of the said share options and the exercise price per Share were adjusted to 875,000 Shares and HK\$9.00 per Share with effect from 16 May 2019 as a result of the share consolidation of the Company, details of which were disclosed in the announcement of the Company dated 15 May 2019. Assuming the share options granted to Mr. Dai has been exercised in full, Mr. Dai shall hold an aggregate of 875,000 Shares as beneficial owner. By virtue of the SFO, Mr. Dai, together with his deemed interests in All Favour, was deemed to be interested in an aggregate of 583,422,765 Shares, representing approximately 20.44% of the issued share capital of the Company. All Favour has pledged its interests in 157,744,659 Shares in favour of Optimus.

On 31 March 2022, a bankruptcy order was made against Mr. Dai. Subsequently, Messrs. Arab Osman Mohammed and Mr. Wong Kwok Keung were appointed as joint and several trustees (the “**Trustees**”) of the property of Mr. Dai at the general meeting of creditors held on 6 May 2022. Accordingly, the property of Mr. Dai, including his shareholdings, shall vest in the Trustees pursuant to section 58(2) of the Bankruptcy Ordinance (Cap. 6).

2. Mr. Li personally owns 21,380,000 Shares. Mr. Li is therefore deemed to be interested in an aggregate of 603,927,765 Shares, representing, approximately 21.16% of the issued share capital of the Company.
3. Based on the disclosure of interests form both filed on 14 December 2020 by China Orient Asset Management Co., Ltd (“**COAMC**”) and China Orient Alternative Investment Fund (“**COAIF**”), Optimus Prime Management Ltd. (“**Optimus**”) has a security interest in 157,744,659 Shares. Optimus is wholly owned by COAIF. COAIF is wholly owned by China Orient Asset Management (International) Holding Limited (“**COAMI**”). COAMI is owned as to (i) 50% by Wise Leader Assets Ltd. (“**Wise Leader**”) which is wholly owned by Dong Yin Development (Holdings) Limited (“**Dong Yin**”); and (ii) 50% by Dong Yin which is wholly owned by COAMC.

By virtue of the SFO, COAIF, COAMI, Wise Leader, Dong Yin and COAMC are deemed to be interested in 157,744,659 Shares held by Optimus as security interest.

4. Changzhou Yaoguang Enterprise Management Consulting Limited Liability Partnership* (“**Yaoguang**”) is a limited liability partnership established in the PRC and is managed by Ms. Lei Changjuan as the general partner and the shares were held by Yao Guang (Hong Kong) Enterprise Limited as nominee for Yaoguang. Accordingly, each of Yaoguang and Ms. Lei Changjuan is deemed to be interested in 262,400,000 Shares.
5. Changzhou Minxing Enterprise Management Consulting Services Limited Liability Partnership* (“**Minxing**”) is a limited liability partnership established in the PRC and is managed by Ms. Kong Yudong as the general partner and the shares were held by Zhong Min Starry (Hong Kong) Limited as nominee for Minxing. Accordingly, each of Minxing and Ms. Kong Yudong is deemed to be interested in 160,600,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial Shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into or has proposed to enter into any service contracts with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

5. CLAIMS AND LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion or advice contained in this circular:

Name	Qualification
INCU Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, INCU has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, INCU was not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

At the Latest Practicable Date, INCU did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MISCELLANEOUS

The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the event of any inconsistency.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.crmi.hk) and the Stock Exchange (www.hkexnews.hk) from the date of this circular up to and including the date of the EGM:

- (a) the Subscription Agreement;
- (b) the letter from the Board (the text of which is set out on pages 9 to 27 of this circular);
- (c) the letter from the Independent Board Committee to the Independent Shareholders (the text of which is set out on pages 28 to 29 of this circular);
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders (the text of which is set out on pages 30 to 47 of this circular);
- (e) the letter of consent from the expert referred to under the paragraph headed “Expert and Consent” in this appendix;
- (f) the annual report of the Company for the year ended 31 December 2022; and
- (g) this circular.



China Regenerative Medicine International Limited
中國再生醫學國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8158)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of the shareholders (the “**Shareholder(s)**”) of China Regenerative Medicine International Limited (the “**Company**”) will be held at Suite 2310–2318, Miramar Tower, 132 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 4 September 2023 at 11 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company. The capitalised terms defined in the circular of the Company dated 18 August 2023 (the “**Circular**”) of which this notice forms part shall have the same meanings when used herein unless otherwise specified:

ORDINARY RESOLUTION

- (1) “**THAT** subject to and conditional upon, (i) the granting of approval by the GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) of the listing of, and permission to deal in, the Consolidated Shares (as defined below); and (ii) compliance with the relevant procedures and requirements under the applicable laws of Cayman Islands and the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) to effect the Share Consolidation (as defined below):
 - (a) every ten (10) existing issued and unissued ordinary shares of HK\$0.20 each in the share capital in the Company be consolidated (the “**Share Consolidation**”) into one (1) consolidated share of HK\$2.00 each (the “**Consolidated Shares**”) such Consolidated Shares shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to restrictions in respect of ordinary shares contained in the memorandum and articles of association of the Company;
 - (b) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to the holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold and retained for the benefit of the Company in such manner on such terms as the directors of the Company (the “**Directors**”) may think fit; and

NOTICE OF EGM

- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute and deliver all such documents whether under the common seal of the Company or otherwise as may be necessary, desirable or expedient to carry out or give effect to any or all of the foregoing arrangements in respect of the Share Consolidation.”

SPECIAL RESOLUTION

- (2) **“THAT** subject to and conditional upon (i) the Share Consolidation becoming effective; (ii) an order being made by the Grand Court of the Cayman Islands (the **“Grand Court”**) confirming the Capital Reduction (as defined below); (iii) compliance with any condition which the Grand Court may impose in relation to the Capital Reduction; (iv) registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Grand Court confirming the Capital Reduction and the minute approved by the Grand Court containing the particulars required under the Companies Act (Revised) of the Cayman Islands, (as consolidated and revised) (the **“Companies Act”**) in respect of the Capital Reduction; and (v) the GEM Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the New Shares (as defined below), with effect from the date on which these conditions are fulfilled (the **“Effective Date”**):
- (a) (i) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation which is not sold for the benefit of the Company (if any) shall be cancelled; and (ii) the par value of each issued Consolidated Share be reduced from HK\$2.00 to HK\$0.20 by cancelling the paid up capital to the extent of HK\$1.80 on each of the then issued Consolidated Shares (the **“Capital Reduction”**);
- (b) following the Capital Reduction, the credit arising from the Capital Reduction be applied towards setting off the accumulated losses of the Company in a manner as permitted by the memorandum and the articles of association of the Company and the Companies Act and other applicable laws;
- (c) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of par value HK\$2.00 each will be sub-divided (the **“Share Sub-division”**) into ten (10) new Shares of par value HK\$0.20 each (the **“New Shares”**);

NOTICE OF EGM

- (d) each of the New Shares arising from the Capital Reduction and the Share Sub-division shall rank *pari passu* in all aspects with each other and each shall have rights and privileges and be subject to the restrictions as contained in the memorandum and the articles of association of the Company; and
- (e) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents, which are ancillary to the Capital Reduction and the Share Sub-division, on behalf of the Company, including under seal where applicable, as they may consider necessary or expedient to give effect to, implement and complete the Capital Reduction and the Share Sub-division.”

ORDINARY RESOLUTION

(3) “**THAT**

- (a) the subscription agreement dated 14 July 2023 entered into between the Company (as issuer) and Mr. Wang Chuang (“**Mr. Wang**”) (as subscriber) (the “**Subscription Agreement**”) in relation to the allotment and issue of 18,823,530 New Shares (the “**Subscription Shares**”) in the share capital of the Company at a subscription price of HK\$0.85 per New Share, credited as fully paid and which shall rank *pari passu* in all respects with the ordinary shares then in issue, by the Company to Mr. Wang and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares), be and are hereby approved, confirmed and ratified;
- (b) conditional upon (i) the Share Consolidation, the Capital Reduction and Share Sub-division becoming effective; and (ii) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares to be allotted and issued pursuant to the terms and conditions of the Subscription Agreement, the Directors be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue the Subscription Shares credited as fully paid at the subscription price of HK\$0.85 per Subscription Share to Mr. Wang, provided that the aforementioned specific mandate shall be in addition to and shall not prejudice nor revoke the existing general mandate which has been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and

NOTICE OF EGM

- (c) any one or more of the Director be and is/are hereby authorised generally to take all necessary steps and do all such acts and things and to sign and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which they may consider necessary, appropriate, desirable or expedient for the purpose of or in connection with, the implementation of and giving effect to the Subscription Agreement and the allotment and issue of the Subscription Shares and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

Yours faithfully,
By Order of the Board
China Regenerative Medicine International Limited
Khoo Wun Fat William
Company Secretary

Hong Kong, 18 August 2023

Registered Office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

*Principal place of business
in Hong Kong:*

Suite 2310–18, Miramar Tower
132 Nathan Road
Tsim Sha Tsui, Kowloon
Hong Kong

Notes:

1. A Shareholder entitled to attend and vote at the above meeting may appoint one or more proxies, if he is the holder of two or more Shares, to attend and to vote in his stead. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any Share, any one such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's Hong Kong Branch Share Registrar, Union Registrars Limited, at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.
4. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

NOTICE OF EGM

5. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 30 August 2023 to Monday, 4 September 2023, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than Tuesday, 29 August 2023 at 4:00 p.m..
6. If a Typhoon Signal No. 8 or above is hoisted, a Black Rainstorm Warning Signal or "extreme conditions" caused by super typhoons is in force in Hong Kong at or at any time after 8:00 a.m. on the date of the EGM, the EGM will be adjourned. The Company will post an announcement on the Company's website at www.crmi.hk and the website of HKEXnews at www.hkexnews.hk to notify its Shareholders of the date, time and place of the adjourned meeting.
7. The EGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situations.
8. All resolutions at the EGM will be taken by poll pursuant to the GEM Listing Rules and the Company's articles of association. The results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the GEM Listing Rules.
9. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this notice, the executive Director is Mr. Wang Chuang (Chairman and Chief Executive Officer); the non-executive Director is Mr. Tsang Ho Yin; and the independent non-executive Directors are Ms. Huo Chunyu, Dr. Liu Ming and Mr. Leung Man Fai.

This notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this notice is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this notice misleading.

This notice will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the date of its publication. This notice will also be published on the Company's website at www.crmi.hk.