

28 January 2025

To the Shareholders

**(1) CONNECTED TRANSACTION IN RELATION TO
LOAN CAPITALIZATION INVOLVING SUBSCRIPTION OF
SHARES UNDER SPECIFIC MANDATE;
(2) APPLICATION FOR WHITEWASH WAIVER;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other matters, (i) details of the Subscription Agreement and the transactions contemplated thereunder, including the Subscription, the Loan Capitalization, granting of the Specific Mandate and the Whitewash Waiver; (ii) a letter of advice from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; (iv) financial information of the Group; (v) a notice of EGM together with the form of proxy; and (vi) other information as required under the Listing Rules and the Takeovers Code.

THE LOANS

As at the Latest Practicable Date, the Company was indebted to:

- (i) Subscriber A in the aggregate outstanding principal amount of approximately HK\$82.10 million and accrued interest of approximately HK\$15.69 million under the Loan Agreement A entered into on 1 January 2023. The shareholder's loans under Loan Agreement A are unsecured and bear interest at the rate of 12% per annum without any fixed repayment date. Such shareholder's loans were provided to the Group by Subscriber A for the purpose of the Group's general working capital requirement; and

- (ii) Subscriber B in the aggregate outstanding principal amount of approximately RMB45.00 million (equivalent to approximately HK\$49.45 million) and accrued interest of approximately RMB1.31 million (equivalent to approximately HK\$1.44 million) under the Loan Agreement B and the Restructuring of Suzhou First Pharma, a former subsidiary of the Company. The loans under Loan Agreement B are secured by certain assets of Suzhou First Pharma and one of its subsidiaries and bear interest at the rate of 15% per annum and were due on 16 June 2022. Such loans were provided by Subscriber B to NT (China) Investment Co., Ltd., being a subsidiary of the Company and a fellow subsidiary of Suzhou First Pharma prior to the completion of the Restructuring and the repayment obligations were assumed by the Company upon the disposal of NT (China) Investment Co., Ltd. by the Company to an Independent Third Party in December 2023. Based on (a) the Restructuring relating to Suzhou First Pharma approved by the Court; (b) the outstanding principal amount of the relevant loans and accrued interest thereon as at 27 April 2023 confirmed by the administrator appointed by the Court of the Restructuring; (c) the subsequent repayment amount received by Subscriber B from the Court; and (d) the amount to be repaid to Subscriber B from the sale of relevant assets under the Restructuring as estimated by the Directors based on (A) the proposed selling price of such assets on an independent auction platform; and (B) the estimated proceeds to be allocated to Subscriber B on a pro rata basis among all the creditors under the Restructuring, the remaining outstanding amount of loan for which the Company is liable to Subscriber B as at the Latest Practicable Date was approximately RMB44.00 million (equivalent to approximately HK\$48.35 million), as further illustrated below:

RMB

The outstanding principal amount and accrued interest	
as at 27 April 2023 confirmed by the administrator	
appointed by the Court of the Restructuring	60,788,761.26
– The subsequent repayment amounts received by	
Subscriber B from the Court	14,479,593.10
– The estimated amount to be repaid to Subscriber B	
from the sale of relevant assets under the Restructuring	<u>2,309,168.16</u>
The remaining outstanding amount of loan that	
the Company is liable to Subscriber B	<u><u>44,000,000.00</u></u>

The outstanding amount of loan that the Company is liable to Subscriber B as at the Latest Practicable Date, i.e. the subject of the loan capitalization in relation to the Loan Agreement B, is deduced based on an estimation of a further repayment from the Court to Subscriber B, which represents the remaining balance of the loans. Subscriber B expects to receive further repayment from the Court for the remaining balance of the loans. Subscriber B has undertaken in the Subscription Agreement that it will not make any further claim against the Company for the remaining balance of approximately RMB2.31 million (equivalent to approximately HK\$2.54 million) (which was calculated based on RMB46.31 million (the approximate total outstanding principal amount and accrued interest) – RMB44.00 million (the approximate outstanding amount of loan for which the Company is liable to Subscriber B as at the Latest Practicable Date)), regardless of whether there will be sufficient repayment amount from the Court, or at all.

On 28 November 2024 (after trading hours), the Company entered into the Subscription Agreement with Subscriber A and Subscriber B, pursuant to which the Company has conditionally agreed to allot and issue to (i) Subscriber A, and Subscriber A has conditionally agreed to subscribe for, 263,636,363 new Shares at the Subscription Price of HK\$0.33 per Subscription Share for a total consideration of HK\$86,999,999.79, which shall be satisfied by way of offsetting HK\$87.00 million in the outstanding principal amount and the accrued interest of the shareholder's loans under the Loan Agreement A; and (ii) Subscriber B, and Subscriber B has conditionally agreed to subscribe for, 146,520,146 new Shares at the Subscription Price of HK\$0.33 per Subscription Share for a total consideration of HK\$48,351,648.18, which shall be satisfied by way of offsetting HK\$48,351,648.35 in the outstanding principal amount and the accrued interest of the loans under the Loan Agreement B.

Upon Completion, HK\$87.00 million and HK\$48,351,648.35 in the outstanding principal amount and the accrued interest (if any) of the loans under the Loan Agreement A and the Loan Agreement B, respectively, shall be deemed to have been repaid. The respective remaining balance, including any interest accrued thereunder as at the Latest Practicable Date shall be HK\$10,787,752.37 under the Loan Agreement A, and HK\$2,537,547.43 under the Loan Agreement B, which Subscriber B has undertaken in the Subscription Agreement not to claim against the Company in any event.

BACKGROUND OF THE RESTRUCTURING

In June 2023, the creditors of Suzhou First Pharma have approved a plan for the Restructuring (the “**Restructuring Plan**”) during the first creditors’ meeting, which was subsequently approved by the Court in July 2023. Pursuant to the Restructuring Plan and the judgment by the Court, the investors (the “**Investors**”) solicited by the administrator appointed by the Court (the “**Administrator**”) shall acquire the entire equity interests in Suzhou First Pharma, and the corresponding properties (other than those to be excluded), equipment and other fixed assets, intangible assets, production permits and operation permits, etc. for a total consideration of RMB1. The Investors shall also provide RMB355 million (the “**Settlement Amount**”) to Suzhou First Pharma for settlement of, among others, the outstanding debts of Suzhou First Pharma. As such, in August 2023, an equity transfer agreement was entered into with the Investors and the equity transfer of Suzhou First Pharma was deemed to be completed and Suzhou First Pharma was no longer a subsidiary of the Company since then. The Investors are Independent Third Parties and have no other relationship with the Company, any of its directors or substantial shareholders.

The loans provided by Subscriber B under the Loan Agreement B were secured by certain assets of Suzhou First Pharma and one of its subsidiaries. Thus, Subscriber B was entitled to and received certain repayment as a result of the Restructuring. Nevertheless, the Settlement Amount was merely a sum of money provided by the Investors, as part of the Restructuring, to settle the outstanding debts of Suzhou First Pharma, and was not correlated with the subject of the Second Loan Capitalization which was the outstanding amount owed by the Company (in substitution of NT (China) Investment Co., Ltd. upon its disposal) to Subscriber B.

For more details on the Restructuring, please refer to the announcements of the Company dated 2 May 2023, 25 July 2023, 21 August 2023 and 14 September 2023.

THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out below.

Date: 28 November 2024

Parties: (a) the Company as issuer;
(b) Subscriber A as subscriber; and
(c) Subscriber B as subscriber.

As at the Latest Practicable Date, each of Subscriber A and Subscriber B is a connected person of the Company.

Total Consideration:	An aggregate sum of HK\$135,351,647.97, comprising (i) HK\$86,999,999.79 which shall be satisfied by way of offsetting the outstanding loan amount of HK\$87.00 million under the Loan Agreement A; and (ii) HK\$48,351,648.18 which shall be satisfied by way of offsetting the outstanding loan amount of HK\$48,351,648.35 under the Loan Agreement B
Number of Subscription Shares to be issued:	410,156,509 Shares
Subscription Price per Subscription Share:	HK\$0.33
Par Value of the Subscription Shares:	US\$0.0000008 each

The Subscription Shares

The Subscription Shares will be issued at the Subscription Price per Subscription Share under the Subscription, which represents:

- (a) approximately 155.31% of the existing issued share capital of the Company as at the date of the Announcement; and
- (b) approximately 60.83% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after the Completion assuming there is no change in the issued share capital of the Company from the date of the Subscription Agreement and up to the Completion other than the issue of the Subscription Shares.

410,156,509 Subscription Shares shall be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

When determining the number of Subscription Shares, the Company and the Subscriber have taken into account the public float requirement under Rule 8.08 of the Listing Rules and the amount of Shareholder's Loans. Accordingly, for the purpose of maximizing the capitalization of the Shareholder's Loans, the Company intends to issue the highest possible number of Subscription Shares while ensuring that the interest held by the Subscriber does not exceed 75%.

Ranking

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects among themselves and with the Shares in issue.

The Subscription Price

The Subscription Price of HK\$0.33 represents:

- (a) a premium of approximately 29.41% to the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 17.50% to the closing price of HK\$0.40 per Share as quoted on the Stock Exchange on 4 October 2024, being the last trading date prior to the announcement made pursuant to Rule 3.7 of the Takeovers Code dated 9 October 2024;
- (c) a premium of approximately 6.45% to the closing price of HK\$0.31 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (d) a premium of approximately 13.79% to the average closing price of HK\$0.29 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;
- (e) a premium of approximately 10.92% to the average closing price of HK\$0.298 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement;
- (f) there is no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) given that the theoretical diluted price of approximately HK\$0.318 per Share is higher than the benchmarked price of approximately HK\$0.30 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the date of the Subscription Agreement of HK\$0.30 per Share; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Subscription Agreement of HK\$0.29 per Share);
- (g) a premium of approximately HK\$1.77 over the unaudited net liabilities per Share of approximately HK\$1.44 (equivalent to approximately RMB1.31) as at 30 June 2024 based on the unaudited net liabilities of the Group of RMB346,415,000 (representing HK\$380,675,824.18) and 2,640,895,063 Shares in issue as at 30 June 2024 which was consolidated into 264,089,506 Shares after the share consolidation of every ten shares into one consolidated share effective on 3 July 2024; and
- (h) a premium of approximately HK\$1.74 over the audited net liabilities per Share of approximately HK\$1.41 (equivalent to approximately RMB1.28) as at 31 December 2023 based on the net liabilities of the Group of RMB339,565,000 (representing HK\$373,148,351.65) and 2,640,895,063 Shares in issue as at 31 December 2023 which was consolidated into 264,089,506 Shares after the share consolidation of every ten shares into one consolidated share effective on 3 July 2024.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscribers with reference to (i) the recent and historical market prices of the Shares, in particular, the closing prices of the Shares for the last 30 trading days prior to the date of the Subscription Agreement were within the range of HK\$0.25 to HK\$0.40 per Share, with an average of HK\$0.33 per Share; (ii) the outstanding amount of the loans under the respective Loan Agreements, amounting to approximately HK\$135.35 million in aggregate, which is significantly higher (i.e. approximately 70.84% higher) than the market capitalization of the Company (being approximately HK\$79.23 million on the date of the Subscription Agreement); (iii) the relatively low trading volume of the Shares when compared to the number of Shares to be issued under the Loan Capitalization (being 410,156,509 Shares); the average trading volume of the Shares for the one year period from 28 November 2023 to 27 November 2024 (being 856,165.49 Shares) was approximately 479.06 times of the average trading volume mentioned above; and (iv) the poor financial position of the Group, having considered that the unaudited net liabilities of the Group of approximately RMB346,415,000 as at 30 June 2024 and total comprehensive loss attributable to the owners of the Company from continuing operations for the year ended 31 December 2023 of approximately RMB36.3 million; which suggested that it would be difficult for the Company to pursue sizeable equity financing alternative in the stock market.

Conditions of the Subscription

Completion of the Subscription is conditional upon satisfaction or (if applicable) waiver of the following conditions:

- (a) the passing by the Board of all necessary resolutions approving the Subscription Agreement and the transactions contemplated thereunder (including the Loan Capitalization and the Subscription), the Specific Mandate and the Whitewash Waiver;
- (b) the passing by the Independent Shareholders, as required under the Listing Rules and the Takeovers Code, of all necessary resolutions by at least 75% in respect of the Whitewash Waiver and more than 50% in respect of the underlying transactions (i.e. the Subscription, the Loan Capitalization, and the Specific Mandate), at the EGM;
- (c) the Listing Committee of the Stock Exchange having granted the approval for the listing of and permission to deal in the Shares to be subscribed by the Subscribers and such approval and permission having not subsequently been revoked prior to the commencement of dealings in such Shares on the Stock Exchange;
- (d) the allotment, issue and subscription of the Shares to be subscribed by the Subscribers not being prohibited by any statute, order, rule, regulation, ruling, directive or request promulgated or issued after the date of the Subscription Agreement by any legislative, executive or regulatory body or authority (including the Stock Exchange and the SFC) which is applicable to the Company;

- (e) the Executive granting the Whitewash Waiver and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (f) the warranties and representations given by the Company under the Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respect at Completion; and
- (g) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Subscription Agreement and the transactions contemplated thereunder respectively having been obtained.

In respect of condition (d), as at the Latest Practicable Date, the Company was not aware of any prohibition from the allotment, issue and subscription of the Subscription Shares by any statute, order, rule, regulation, ruling, directive or request. In respect of condition (g), as at the Latest Practicable Date, save for the approvals set out in conditions (a), (b) and (c), the Company was not aware of other approvals or consents that require to be obtained on the part of the Company in respect of the Subscription Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, other than condition (a) in respect of Board's approval, none of the above conditions has been fulfilled or waived. Save that Subscriber A and Subscriber B have the rights to waive condition (f) in respect of warranties and representations given by the Company under the Subscription Agreement, none of the above conditions can be waived by any party to the Subscription Agreement. In particular, if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders at the EGM, the Subscription will not proceed.

Completion of the Subscription

Completion shall take place within two Business Days (or such other date and time as may be agreed by the Company and the Subscribers) upon the satisfaction or (if applicable) waiver of the conditions under the Subscription Agreement, upon which the Company shall allot and issue the Subscription Shares to each of the Subscribers.

Upon Completion, HK\$87.00 million and HK\$48,351,648.35 in the outstanding principal amount and the accrued interest (if any) of the loans under the Loan Agreement A and the Loan Agreement B, respectively, shall be deemed to have been fully repaid. The respective remaining balance, including any interest accrued thereunder as at the Latest Practicable Date shall be HK\$10,787,752.37 under the Loan Agreement A, and HK\$2,537,547.43 under the Loan Agreement B, which Subscriber B has undertaken in the Subscription Agreement not to claim against the Company in any event.

Termination of the Subscription Agreement

If the above-mentioned conditions are not fulfilled or waived (if applicable) by the Subscriber in writing on or before the Long Stop Date, the Subscription Agreement shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise, except that such termination shall not affect the then accrued rights and obligations of the parties.

SPECIFIC MANDATE

The allotment and issue of the Subscription Shares are subject to approval by the Independent Shareholders at the EGM to be convened and held. Resolution(s) will be proposed at the EGM to approve, among other things, the Specific Mandate to allot and issue the Subscription Shares under the Subscription Agreement.

INFORMATION OF THE GROUP

The Group is principally engaged in two main areas, namely investment and physical pharmaceutical business. The investment business focuses on investing in internationally leading innovative targeted drugs and pharmaceutical companies' equity. At the same time, the Group is digitizing and diversifying its existing physical pharmaceutical assets and business, with the aim of creating a specialized digital pharmaceutical group focused on bone health. The Group principally operates in Hong Kong and Mainland China.

The Group has been operating in the field of osteopathy treatment for more than 10 years, serving more than 10,000 terminal medical institutions for various osteopathies, and has rich terminal pharmaceutical promotion, excellent team management experience and channel network resources. The deepening of the aging of the country's population will promote the development of China's orthopedics market to a certain extent, and the prospects for the future orthopedics market are very broad. The Group will seize the opportunity in the new era of the country's promotion of the development of orthopedics. From 2023, it has innovatively created a bone health 4M (Medicine, Multinational E-Health, Medical Device, Medical Digital Platform) model by focusing on the company's core capabilities and resources. It has also established Fuaimeng's "Specialist Orthopedic Health Platform" and vigorously developed business modules covering the supply and promotion of bone disease drugs and health products, bone disease rehabilitation management and digital medical full-process closed-loop treatment and management platform.

PROFIT ESTIMATE

Reference is made to the profit warning and inside information announcement issued by the Company on 8 January 2025 regarding the update on financial information of the Group (the "Profit Estimate").

The Profit Estimate constitutes a profit forecast under Rule 10 of the Takeovers Code and is therefore required to be reported on by the Company's financial advisers and auditors or accountants in accordance with Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code. In view of the requirements of timely disclosure of inside information under Rule 13.09(2)(a) of the Listing Rules and pursuant to Part XIVA of the SFO, the Company was required to issue the Profit Estimate as soon as practicable and given the time constraints, the Company encountered genuine practical difficulties (time-wise or otherwise) in meeting the reporting requirements set out in Rule 10.4 of the Takeovers Code.

Please refer to Appendix III headed "Profit Warning Announcement and Reports thereon" to this circular for the Profit Estimate and relevant reports in relation to the above.

INFORMATION OF THE SUBSCRIBERS

Subscriber A

Subscriber A is Golden Base Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a substantial shareholder of the Company, holding 40,562,533 Shares, representing approximately 15.36% of the issued share capital of the Company as at the Latest Practicable Date. Subscriber A is principally engaged in investment holding and has no other significant investment, assets or business operation as at the Latest Practicable Date. As at the Latest Practicable Date, Subscriber A was legally and beneficially owned as to 50% by Mr. Ng Tit, the Chairman and an executive Director of the Company, and 50% by Ms. Chin Yu, a non-executive Director of the Company and the spouse of Mr. Ng Tit.

Subscriber B

Subscriber B is Mr. Jeong Iat, son of Mr. Jeong Chong Mang and Ms. Shum Ning. Mr. Jeong Chong Mang and Annie Investment Co. Ltd., a company legally and beneficially and wholly owned by Ms. Shum Ning, are substantial shareholders of the Company, which are, in aggregate, interested in 54,932,300 Shares, representing approximately 20.8% of the issued share capital of the Company as at the Latest Practicable Date.

Subscriber A, its ultimate beneficial owners and parties acting in concert with it on one hand, are parties acting in concert with Subscriber B and parties acting in concert with him, on the other hand.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AGREEMENT

As disclosed in the annual report of the Company for the year ended 31 December 2023 and the interim results announcement of the Company for the six months ended 30 June 2024, (i) notwithstanding that the Group turned from significant loss of RMB145,009,000 for the year ended 31 December 2023 into profit for the six months ended 30 June 2024 of RMB661,000, the Group had significant net liabilities as at 30 June 2024. The net current liabilities and net liabilities as at 30 June 2024 were approximately RMB667,211,000 and RMB346,415,000,

respectively. The debt-to-assets ratio of the Group as at 30 June 2024 (which is calculated by total debt of RMB527,300,000 divided by total assets of RMB338,764,000) was approximately 155.65%; (ii) the cash and bank balances were significant lower than the total borrowings and the amount of financial guarantee contracts. The Group's total borrowings amounted to approximately RMB356,133,000 as at 30 June 2024, of which approximately RMB352,878,000 will be due for repayment within the next twelve months from 30 June 2024, while its unrestricted cash and bank balances amounted to approximately RMB5,791,000 as at 30 June 2024; (iii) with recent sluggish stock market sentiment, thin trading volume of the Shares and net liabilities position of the Group, the Group had difficulties in finding investors or placing agents for equity financing with significant fund raising size for repayment of loans; and (iv) net liabilities position of the Group had made the Company difficult to obtain additional bank borrowings or debt financing for its business and operations.

Furthermore, as disclosed in the annual report of the Company for the year ended 31 December 2023, the auditors of the Group have considered the operation of the Group on a going concern basis. However, the net current liabilities and net liabilities positions of the Group, as well as the financial condition that the total borrowings exceeding the unrestricted cash and bank balances indicated the existence of material uncertainties which may cast doubt on the Group's ability to continue as a going concern.

The aggregated loan amounts to be capitalized under the Loan Capitalization are approximately HK\$135.35 million (equivalent to approximately RMB123.17 million), which represents approximately 24.12% of total debt of approximately RMB527.30 million as at 30 June 2024. Upon completion of the Loan Capitalization, and assuming the Completion took place on 30 June 2024, the net debt and total debt of the Group as at 30 June 2024 would be reduced to approximately RMB398.34 million and RMB404.13 million. Debt-to-assets ratio would be reduced from approximately 155.65% to 119.30%.

The Directors consider that the Loan Capitalization is beneficial to the Company as it will significantly reduce liabilities of the Group which have been overdue, repayable on demand and/or due for repayment within the next twelve months from 30 June 2024, and therefore will reduce liquidity pressure and improve the financial conditions of the Group. Furthermore, the potential reduction of the annual interest expenses after the Loan Capitalization is approximately HK\$10.44 million based on the interest rate of 12%. Such interest expenses are significant when compared to the profit of the Group of RMB661,000 for the six months ended 30 June 2024, and therefore the Loan Capitalization will also improve the profitability of the Group. As at the Latest Practicable Date, the loans under Loan Agreement B were overdue. Pursuant to Loan Agreement B, the lender was entitled to a default interest rate of 4 times of the loan prime rate for the outstanding amounts. Pursuant to the Notice of Debt Claim Determination issued by the Administrator to the lender, the outstanding principal amount of approximately RMB45.00 million (equivalent to approximately HK\$49.45 million) and accrued interest of approximately RMB1.31 million (equivalent to approximately HK\$1.44 million) was confirmed.

Mr. Ng Tit, the Chairman and an executive Director of the Company, was the one responsible for participating in the negotiation and discussion of the terms and conditions of the Subscription with the Subscribers. He was interested in the Shares through his interest in Subscriber A and spouse interest of Ms. Chin Yu. Other than Mr. Ng Tit, no other Directors had any involvement in the negotiation and discussion on the Loan Capitalization.

The Company has considered other financing methods such as debt financing and equity financing. The Company has discussed with various banks, financial institutions and funds with a view to obtaining debt financing. The Company either received no feedback or was rejected. Regarding equity financing, the Company has considered conducting placing for fund raising purpose but has not been able to find placing agents or underwriters to conduct placing with a significant amount of fund raising. While both an open offer and a rights issue would allow Shareholders to subscribe for new Shares and maintain their respective pro-rata shareholdings in the Company, these methods require additional time and incur higher costs. Moreover, finding an underwriter willing to underwrite any unsubscribed Shares with a significant fund raising size is difficult, given the net liabilities position and poor financial performance of the Group. Save as disclosed in this announcement, no other financing methods were considered by the Company.

Having considered the above, the Directors (other than Mr. Ng Tit and Ms. Ng Anna Ching Mei, the two executive Directors, and Ms. Chin Yu and Dr. Qian Wei, the two non-executive Directors, who have material interest in the Loan Capitalization under the Subscription Agreement and have abstained from voting on the resolutions in relation thereto) consider that the Loan Capitalization and the terms of the Subscription Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

INDEPENDENT FINANCIAL ADVISER'S OPINION

The Independent Financial Adviser considered the Subscription Price to be fair and reasonable so far as the Independent Shareholders are concerned and the potential dilution effect on the shareholding interests of the existing minority Shareholders being acceptable. For details of the Independent Financial Adviser's analysis, please refer to the letter of the Independent Financial Adviser set out in this circular.

FUTURE INTENTIONS OF THE SUBSCRIBERS REGARDING THE GROUP

Upon Completion, Subscriber A will become a controlling shareholder (as defined under the Listing Rules) of the Company whereas Subscriber B will become a substantial shareholder (as defined under the Listing Rules) of the Company. The Subscribers consider and confirm that:

- (a) it is intended that the Group will continue with its existing business following the Completion;
- (b) they share the view of the Board as disclosed in the paragraph headed “Reasons for and benefits of the Subscription Agreement” above, in which it is mentioned that the Subscription is in the interests of the Group; and
- (c) there is no intention to introduce any major changes to the existing business of the Group or the continued employment of the Group’s employees and there is no intention to redeploy the fixed assets of the Group other than in its ordinary course of business.

USE OF PROCEEDS

As the Subscription Price will be satisfied by way of offsetting part of the outstanding amount of the shareholder’s loans under the respective Loan Agreements owed by the Company to the Subscribers, there will be no cash proceeds (or any other form of proceeds save for set-off of outstanding loans) from the allotment and issue of the Subscription Shares available to be utilized by the Company.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

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

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, other than 264,089,506 Shares in issue and 2,020,000 share options granted under the Company’s share option scheme adopted on 22 September 2014, the Company has no outstanding convertible securities, options or warrants in issue or derivatives which confer any right to subscribe for, convert or exchange into Shares.

The shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately after completion of the Subscription assuming that there is no other change to the share capital and shareholding structure of the Company from the Latest Practicable Date up to the Completion, are set out below:

	As at the Latest Practicable Date		Immediately after completion of this Subscription	
	<i>Number of shares</i>	<i>%⁽¹⁾</i>	<i>Number of shares</i>	<i>%⁽²⁾</i>
Subscriber A and parties acting in concert with it				
Subscriber A ⁽³⁾	40,289,200	15.26	303,925,563	45.08
Ms. Chin Yu	273,333	0.10	273,333	0.04
Subtotal	40,562,533	15.36	304,198,896	45.12
Subscriber B and parties acting in concert with it				
Subscriber B ⁽⁴⁾	–	–	146,520,146	21.73
Mr. Jeong Chong Meng	54,762,300	20.74	54,762,300	8.12
Annie Investment Co., Ltd.	170,000	0.06	170,000	0.03
Subtotal	54,932,300	20.80	201,452,446	29.88
Subscriber A, Subscriber B and parties acting in concert with each of them				
	95,494,833	36.16	505,651,342	75.00
Mr. Yu Tze Shan Hailson ⁽⁵⁾	15,000	0.01	15,000	0.002
Public shareholders				
Dr. Wang Minzhi ⁽⁶⁾⁽⁷⁾	46,372,286	17.56	46,372,286	6.88
Other public shareholders⁽⁷⁾	122,207,387	46.27	122,207,387	18.13
Total issued Shares	264,089,506	100.00	674,246,015	100.00

Notes:

- (1) These percentages are calculated based on 264,089,506 Shares in issue as at the Latest Practicable Date.
- (2) These percentages are calculated based on 674,246,015 Shares in issue upon completion of the Subscription (assuming there is no change in the issued share capital of the Company other than issue of the Subscription Shares).
- (3) Subscriber A was legally and beneficially owned as to 50% by Ms. Chin Yu and 50% by Mr. Ng Tit, the spouse of Ms. Chin Yu.
- (4) Subscriber B is the son of Mr. Ieong Chong Mang and Ms. Shum Ning, who wholly owns Annie Investment Co. Ltd.
- (5) Mr. Yu Tze Shan Hailson is an independent non-executive Director of the Company. Save as disclosed herein, no other Directors held any Shares as at the Latest Practicable Date. Mr. Yu Tze Shan Hailson has informed the Company that he intended to vote for the resolution approving the Subscription Agreement and the transactions contemplated thereunder, including the Specific Mandate and/or the Whitewash Waiver at the EGM.
- (6) Dr. Wang Minzhi is one of the substantial shareholders of the Company and an external consultant of the Group, providing consultancy services to the Company on research for innovative orthopedic medical devices and drugs to meet patient needs. He has no relationship with any of the Subscribers, their respective ultimate beneficial owners and/or parties acting in concert with any of them.
- (7) Shares counted towards the public float of the Company upon completion of the Subscription. Assuming that there is no other change to the share capital and shareholding structure of the Company from the Latest Practicable Date up to the Completion, approximately 25.01% of the total issued Shares will be held in public hands.

APPLICATION FOR LISTING

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

APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, Subscriber A and Subscriber B were parties acting in concert. Subscriber A and Subscriber B, together with their respective concert parties hold 95,494,833 Shares in aggregate, representing approximately 36.16% of the issued share capital of the Company. The shareholding of Subscriber A, Subscriber B and parties acting in concert with each of them will increase to approximately 75.00% of the issued share capital of the Company immediately after completion of the Subscription and assuming there is no change in the issued share capital of the Company other than issue of the Subscription Shares, thereby triggering an obligation on Subscriber A and Subscriber B under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all issued Shares and other securities of the Company not already owned or agreed to be acquired by Subscriber A, Subscriber B or parties acting in concert with each of them, unless the Whitewash Waiver is granted by the Executive.

Subscriber A together with Subscriber B have made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, which, if granted, will be subject to the approval by at least 75% and more than 50% respectively of the votes cast by the Independent Shareholders in person or by proxy by way of poll in respect of the Whitewash Waiver and the underlying transactions (i.e. the Subscription, the Loan Capitalization, and the Specific Mandate), at the EGM. If the Whitewash Waiver is granted by the Executive and is approved by the Independent Shareholders and completion of the Subscription having taken place, each of Subscriber A (together with parties acting in concert with it) and Subscriber B (together with parties acting in concert with it) will be interested in approximately 45.12% and 29.88% in the Company respectively. As such, each of them remains subject to the restrictions under Rule 26 of the Takeovers Code on an individual basis including, in respect of Subscriber A and parties acting in concert with it, the 2% creeper rule under Rule 26.1 of the Takeovers Code.

Each of Subscriber A and Subscriber B, their respective associates, any parties acting in concert with each of them, and the Shareholders who are involved in or interested in the Whitewash Waiver and/or the underlying transactions, will be required to abstain from voting in respect of the resolutions to approve the Whitewash Waiver and the underlying transactions (i.e. the Subscription, the Loan Capitalization and the Specific Mandate) at the EGM. As at the Latest Practicable Date, save for Subscriber A, Subscriber B, Ms. Chin Yu, Mr. Jeong Chong Mang and Annie Investment Co., Ltd., there are no Shareholders who are involved in or interested in the Whitewash Waiver or the underlying transactions and are therefore required to abstain from voting in relation to such resolutions at the EGM.

The Executive may or may not grant the Whitewash Waiver. The Subscription will not proceed if the Whitewash Waiver is not granted or approved.

As at the Latest Practicable Date, the Company does not believe that the Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription does not comply with other applicable rules and regulations.

LISTING RULES IMPLICATIONS

As described in the sections headed “Information of the Subscribers – Subscriber A” and “Information of the Subscribers – Subscriber B” in this circular, Subscriber A is a substantial shareholder of the Company and an associate of Mr. Ng Tit and Ms. Chin Yu, who are Directors of the Company, and is therefore a connected person of the Company and Subscriber B is the son of two substantial shareholders of the Company and is therefore a deemed connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and will be subject to announcement, reporting and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Establishment of the Independent Board Committee

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee (comprising all the independent non-executive Directors who have no direct or indirect interest and are not involved in the Whitewash Waiver and the underlying transactions, namely Mr. Tze Shan Hailson Yu, Mr. Ng Ming Kwan and Dr. Zhao Yubiao) has been formed to advise the Independent Shareholders on whether the Whitewash Waiver and the underlying transactions are fair and reasonable, and as to voting from the perspective of the Takeovers Code. As Ms. Chin Yu, being a non-executive Director, is the ultimate beneficial owner of 50% equity interest of Subscriber A, and Dr. Qian Wei, also being a non-executive Director, is the brother of Ms. Chin Yu, they are not included in the Independent Board Committee for the purpose of giving advice or recommendations to the Independent Shareholders.

Pursuant to the Listing Rules, the Independent Board Committee (comprising all the independent non-executive Directors who have no direct or indirect interest in the Subscription, namely Mr. Tze Shan Hailson Yu, Mr. Ng Ming Kwan and Dr. Zhao Yubiao) which has been formed would advise the Independent Shareholders on whether the Subscription by the Subscribers is fair and reasonable and as to voting from the perspective of Listing Rules.

Appointment of the Independent Financial Adviser

The Independent Financial Adviser, Astrum Capital Management Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened to consider, and if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder, including the Subscription, the Loan Capitalization, granting of the Specific Mandate and the Whitewash Waiver by more than 50% of the votes cast by the Independent Shareholders by way of poll; and (ii) the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders by way of poll. A notice convening the EGM to be held at Office 1101-02, 11/F, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong on Monday, 17 February 2025 at 10:45 a.m. is set out on pages EGM-1 to EGM-3 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 Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<https://www.ntpharma.com>).

Whether or not Shareholders are able to attend the EGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, 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 (i.e. not later than 10:45 a.m. on Saturday, 15 February, 2025). To be effective, all forms of proxy must be lodged with Tricor Investor Services Limited before the deadline. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM if you so wish.

The Subscribers, their respective associates, any parties acting in concert with each of them and the Shareholders who are involved in or interested in the Whitewash Waiver and/or the underlying transactions (i.e. the Subscription, the Loan Capitalization and the Specific Mandate), will be required to abstain from voting in respect of the resolution(s) to approve the Whitewash Waiver and the underlying transactions (i.e. the Subscription, the Loan Capitalization and the Specific Mandate) at the EGM. Other than Subscriber A, Subscriber B, Ms. Chin Yu, Mr. Jeong Chong Mang and Annie Investment Co., Ltd, none of the Shareholders is involved in or interested in the Whitewash Waiver and/or the underlying transactions (i.e. the Subscription, the Loan Capitalization and the Specific Mandate) and is required to abstain from voting in respect of the resolution(s) to approve the aforesaid matters at the EGM.

RECOMMENDATION

Your attention is drawn to (i) the letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the Whitewash Waiver; and (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the Whitewash Waiver.

In light of (i) Subscriber A being owned by Mr. Ng Tit and Ms. Chin Yu, Ms. Ng Anna Ching Mei being their daughter and Dr. Qian Wei being brother of Ms. Chin Yu, who have all abstained from voting on the Board resolutions in relation to the Subscription Agreement and the transactions contemplated thereunder; and (ii) other than Mr. Ng Tit and Ms. Ng Anna Ching Mei, the two executive Directors, the Board only comprises of the non-executive Director and the independent non-executive Directors, the Board will defer its view on the Subscription Agreement and the transactions contemplated thereunder, including the granting of the Specific Mandate and the Whitewash Waiver to the Independent Board Committee.

Members of the Independent Board Committee, to whom the Directors has deferred its view and whose view is set out in their respective letters set out in the appendices of this circular, believe that the Subscription Agreement is fair, reasonable and on normal commercial terms, and are in the interests of the Company and the Independent Shareholders as a whole; and considers that (i) the execution, delivery and performance of the Subscription Agreement; (ii) the allotment and issue of the Subscription Shares in accordance with the Subscription Agreement; (iii) the Specific Mandate under which the Subscription Shares will be issued; and (iv) the Subscription and the Whitewash Waiver are fair and reasonable, and are in the interests of the Company and the Independent Shareholders as a whole, accordingly, recommends that the Independent Shareholders vote in favour of the resolution(s) relating thereto at the EGM.

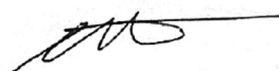
ADDITIONAL INFORMATION

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

Since the Completion is subject to the fulfilment or waiver (as applicable) of the conditions precedent as set out in the Subscription Agreement, the Subscription may or may not proceed. The Whitewash Waiver may or may not be granted by the Executive and if granted, will be subject to the approval by at least 75% and more than 50% respectively of the votes cast by the Independent Shareholders in person or by proxy by way of poll in respect of the Whitewash Waiver and the underlying transactions (i.e. the Subscription, the Loan Capitalization, and the Specific Mandate) at the EGM. Completion of the Subscription is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares, and are recommended to consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions that they should take.

For and on behalf of
China NT Pharma Group Company Limited



Ng Tit
Chairman of the Board