
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 your licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

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

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



SINO-LIFE GROUP LIMITED

中國生命集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8296)

**(1) PROPOSED SHARE CONSOLIDATION;
(2) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF APPROXIMATELY 19.46% EQUITY INTEREST IN
GUANGDONG YINWEI INVOLVING ISSUE OF
CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders



Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 10 to 39 of this circular. A letter from the Independent Board Committee is set out on pages 40 to 41 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-27 of this circular.

A notice convening the EGM to be held at Portion 2, 12/F., The Center, 99 Queen's Road Central, Central, Hong Kong, on Wednesday, 9 October 2024 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment meeting thereof should you so wish.

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 (7) days from the date of its publication and is available for reference on the website of the Company at www.sinolifegroup.com.

16 September 2024

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 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 otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the proposed acquisition of the equity interests in Guangdong Yinwei pursuant to the terms of the Equity Transfer Agreement
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“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
“CB Instrument”	the instrument constituting of the Convertible Bonds
“CCASS”	Central Clearing and Settlement System, a securities settlement system used within the Hong Kong Exchanges and Clearing Limited market system
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
“Company”	Sino-Life Group Limited, a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules

DEFINITIONS

“Consolidated Share(s)”	the ordinary share(s) of par value of HK\$1.0 each in the share capital of the Company upon the Share Consolidation becoming effective, whether issued or unissued
“Conversion Period”	the period commencing from the date of issue of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the Maturity Date
“Conversion Price”	HK\$0.10 per Conversion Share or HK\$1.0 per Conversion Share upon the Share Consolidation becoming effective, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds
“Conversion Rights”	the rights attached to the Convertible Bonds to convert the same or a part thereof into Conversion Shares
“Conversion Share(s)”	the Share(s) to be allotted and issued by the Company to the holders of the Convertible Bonds upon exercise of the conversion rights attaching to the Convertible Bonds at the Conversion Price
“Convertible Bonds”	the Convertible Bonds I and Convertible Bonds II, with the maximum aggregate principal amount of HK\$11,664,000 to be issued by the Company to Nanyue AM or its nominee(s) to satisfy the consideration pursuant to the Equity Transfer Agreement
“Convertible Bonds I”	the convertible bonds in the principal amount of HK\$6,000,000 to be issued by the Company to Nanyue AM or its nominee(s) to satisfy part of the consideration pursuant to the Equity Transfer Agreement
“Convertible Bonds II”	the convertible bonds in the maximum principal amount of HK\$5,664,000 to be issued by the Company to Nanyue AM or its nominee(s) to satisfy the remaining consideration pursuant to the Equity Transfer Agreement, subject to the adjustment mechanism as stipulated therein
“Directors”	the directors of the Company

DEFINITIONS

“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the ordinary resolutions in relation to the Share Consolidation, the Equity Transfer Agreement, the Convertible Bonds and the transactions contemplated thereunder, and the proposed grant of the Specific Mandate
“Equity Transfer Agreement”	the equity transfer agreement dated 29 July 2024 entered into between the Company and Nanyue AM to acquire from Nanyue AM the paid-up capital of Guangdong Yinwei contributed by Nanyue AM, which is equivalent to approximately 19.46% of the equity interest in Guangdong Yinwei
“Existing Share(s)”	the ordinary share(s) of par value of HK\$0.1 each in the share capital of the Company before the Share Consolidation becoming effective, whether issued or unissued
“GEM”	GEM of the Stock Exchange
“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
“Group”	the Company and its subsidiaries
“Guangdong Yinwei”	Guangdong Yinwei Decoding Biotechnology Co., Ltd.* (廣東因微解碼生物科技有限公司), a company established in the PRC on 13 May 2015 with limited liability
“Guangdong Zhenyuan”	Guangdong Zhenyuan Investment Company Limited* (廣東臻遠投資有限責任公司), a non-wholly owned subsidiary of the Company, established in the PRC on 20 December 2021 with limited liability
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising all independent non-executive Directors, established to advise the Independent Shareholders on the Equity Transfer Agreement, the Convertible Bonds and the transactions contemplated thereunder, and the proposed grant of the Specific Mandate
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement, the Convertible Bonds and the transactions contemplated thereunder, and the proposed grant of the Specific Mandate
“Independent Shareholder(s)”	Shareholder(s) other than those who are required under the GEM Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM to approve the Equity Transfer Agreement, the Convertible Bonds and the transactions contemplated thereunder, and the proposed grant of the Specific Mandate
“Latest Practicable Date”	10 September 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Mr. Xu”	Mr. Xu Jianchun, the chairman and an executive Director of the Company
“Nanyue AM”	Shenzhen Nanyue Asset Management Co., Ltd.* (深圳市南嶽資產管理有限公司), a company established in the PRC on 6 September 2013 with limited liability

DEFINITIONS

“Nanyue CB”	Shenzhen Nanyue Crown Block Bio Intelligent Equipment Investment Co., Ltd.* (深圳市南嶽天車生物智能裝備投資有限公司), a company established in the PRC on 8 March 2021 with limited liability
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s), as the case may be
“Share Consolidation”	the consolidation of every ten (10) issued and unissued Existing Shares of HK\$0.1 each into one (1) Consolidated Share of HK\$1.0 each
“Share Options”	the share options granted by the Company pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme of the Company adopted on 22 April 2021
“Shareholder(s)”	shareholder(s) of the Company
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Board at the EGM for the allotment and issue of 116,640,000 Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong

DEFINITIONS

“Zhongke Xunda”	Zhongke Xunda Biotechnology (Shenzhen) Company Limited* (中科訊達生物科技(深圳)有限公司), a company established in the PRC on 19 September 2019 with limited liability
“Zhongke Zhenhui”	Zhongke Zhenhui (Guangdong) Medical Technology Company Limited* (中科臻慧(廣東)醫療科技有限公司), a non-wholly owned subsidiary of the Company, established in the PRC on 19 May 2020 with limited liability
“%”	per cent

* For identification purposes only

In this circular, amounts in RMB are translated into HK\$ on the basis of RMB1 = HK\$1.08. The conversion rate is for illustrative purpose only and should not be taken as a representation that RMB could actually be converted into HK\$ at such rate or at all.

EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Share Consolidation. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Share Consolidation and is therefore for indicative purposes 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 the Hong Kong local times and dates.

Events	Hong Kong Date and Time
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Latest date and time for lodging transfer documents in order to qualify for attending and voting at the EGM	4:00 p.m. on Thursday, 3 October 2024
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Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both days inclusive)	Friday, 4 October 2024 to Wednesday, 9 October 2024
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Latest time for lodging proxy forms for the EGM (not less than 48 hours prior to the time of the EGM)	3:00 p.m. on Monday, 7 October 2024
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Record date for determining attendance and voting at the EGM	Wednesday, 9 October 2024
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Expected date and time of the EGM to approve the Share Consolidation	3:00 p.m. on Wednesday, 9 October 2024
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Announcement of the poll result of the EGM	Wednesday, 9 October 2024
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Register of members of the Company re-opens	Thursday, 10 October 2024
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The following events are conditional on the fulfillment of the conditions for the implementation of the Share Consolidation:

Effective date of the Share Consolidation	Monday, 14 October 2024
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First day of free exchange of existing share certificates into new share certificates for Consolidated Shares	Monday, 14 October 2024
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EXPECTED TIMETABLE

Events	Hong Kong Date and Time
Dealings in Consolidated Shares commence	9:00 a.m. on Monday, 14 October 2024
Original counter for trading in Shares in board lots of 4,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Monday, 14 October 2024
Temporary counter for trading in Consolidated Shares in temporary board lot of 400 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Monday, 14 October 2024
Original counter for trading in Consolidated Shares in board lot of 4,000 Consolidated Shares (in the form of new share certificates for Consolidated Shares) re-opens	9:00 a.m. on Monday, 28 October 2024
Parallel trading in the Shares and Consolidated Shares (in the form of existing share certificates and new share certificates) commences	9:00 a.m. on Monday, 28 October 2024
Designated broker starts to stand in the market to provide matching services for sale and purchase of odd lots of Consolidated Shares	9:00 a.m. on Monday, 28 October 2024
Designated broker ceases to stand in the market to provide matching services for sale and purchase of odd lots of Consolidated Shares	4:00 p.m. on Friday, 15 November 2024
Temporary counter for trading in Consolidated Shares in temporary board lot of 400 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Friday, 15 November 2024

EXPECTED TIMETABLE

Events	Hong Kong Date and Time
Parallel trading in Consolidated Shares (in the form of new share certificates for Consolidated Shares and existing share certificates) ends	4:10 p.m. on Friday, 15 November 2024
Last day for free exchange of existing share certificates into new share certificates for Consolidated Shares	Tuesday, 19 November 2024

LETTER FROM THE BOARD



SINO-LIFE GROUP LIMITED

中國生命集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8296)

Executive Directors:

Mr. XU Jianchun

Mr. LIU Tien-Tsai

Independent non-executive Directors:

Mr. CHAI Chung Wai

Dr. YANG Jingjing

Ms. HU Zhaohui

Registered office:

The Grand Pavilion Commercial Centre,

Oleander Way, 802 West Bay Road,

P.O. Box 32052,

Grand Cayman KY1-1208,

Cayman Islands

Registered office in Hong Kong:

18/F, Ovest

77 Wing Lok Street

Sheung Wan, Hong Kong

16 September 2024

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED SHARE CONSOLIDATION;
(2) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF APPROXIMATELY 19.46% EQUITY INTEREST IN
GUANGDONG YINWEI INVOLVING ISSUE OF
CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the announcements of the Company dated 29 July 2024, 8 August 2024 and 30 August 2024 with respect to the proposed Share Consolidation, and discloseable and connected transaction in relation to the acquisition of approximately 19.46% equity interest in Guangdong Yinwei involving the issue of the Convertible Bonds under the Specific Mandate.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the proposed Share Consolidation; (ii) further details of the Equity Transfer Agreement and transactions contemplated thereunder (including the allotment and issue of the Convertible Bonds) and the proposed grant of the Specific Mandate; (iii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; and (v) the notice of the EGM.

PROPOSED SHARE CONSOLIDATION

The Board intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every ten (10) issued and unissued Existing Shares of HK\$0.1 each into one (1) Consolidated Share of HK\$1.0 each.

Conditions of the Share Consolidation

- (i) the passing of the ordinary resolution(s) by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) the compliance with all relevant procedures and requirements under the laws of the Cayman Islands and Hong Kong (where applicable), and the GEM Listing Rules to effect the Share Consolidation; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation.

The Share Consolidation is expected to become effective on Monday, 14 October 2024, being the second Business Day immediately following the fulfillment of the above conditions.

Effects 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 10,000,000,000 Existing Shares of HK\$0.1 each, of which 945,000,000 Existing Shares have been issued and are fully paid or credited as fully paid. Assuming no further Shares will be issued or repurchased between the Latest Practicable Date and the date of the EGM, immediately after the Share Consolidation becoming effective, the authorised share capital of the Company will become HK\$1,000,000,000 divided into 1,000,000,000 Consolidated Shares of HK\$1.0 each, of which 94,500,000 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

LETTER FROM THE BOARD

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Company's articles of association. No fractional Consolidated Shares arising from the Share Consolidation, if any, will be issued by the Company to the Shareholders. Any fractional entitlements of Consolidated Shares will be aggregated, and if possible, sold and retained for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Other than the relevant expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders, save for any fractional Consolidated Shares which may arise and the necessary professional expenses for the implementation of the Share Consolidation.

Other securities of the Company

As at the Latest Practicable Date, the Company has outstanding Share Options for subscription of an aggregate of 18,532,000 Existing Shares under the Share Option Scheme.

As at the Latest Practicable Date, the Company has outstanding convertible bonds in a principal amount of HK\$18,160,000. Assuming full conversion of such convertible bonds, an aggregate of 144,126,984 Existing Shares may be allotted and issued by the Company upon exercise of the conversion rights attaching to the convertible bonds.

Please refer to the section headed "Possible adjustments to outstanding Share Options and convertible bonds" below for details.

Save as aforesaid, the Company does not have any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares or Consolidated Shares, as at the Latest Practicable Date.

Exchange of share certificates for Consolidated Shares

Subject to the Share Consolidation having become effective, Shareholders may, during the specified period from Monday, 14 October 2024 to Tuesday, 19 November 2024 (both days inclusive), submit the existing share certificates for the Existing Shares to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Consolidated Shares (whichever is higher) but are not acceptable for trading, settlement and registration purposes.

LETTER FROM THE BOARD

The new share certificates for the Consolidated Shares will be issued in blue colour in order to distinguish them from the existing share certificates in red colour.

Listing and dealings

An application will be made by the Company to 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.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares 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.

Board lot size

As at the Latest Practicable Date, the Existing Shares were traded on the Stock Exchange in the board lot size of 4,000 Existing Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will continue to be 4,000 Consolidated Shares. Based on the closing price of HK\$0.038 per Existing Share (equivalent to the theoretical closing price of HK\$0.38 per Consolidated Share) as quoted on the Stock Exchange as at the Latest Practicable Date, the value of each existing board lot of the Existing Shares is HK\$152 and the estimated theoretical value of each board lot of the Consolidated Shares would be HK\$1,520 assuming that the Share Consolidation becomes effective.

LETTER FROM THE BOARD

Arrangement on odd lot trading and matching services

In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company has appointed Lego Securities Limited to stand in the market to provide matching services for sale and purchase of odd lots of the Consolidated Shares on a best effort basis for the holders of odd lots of Shares during the period from 9:00 a.m. on Monday, 28 October 2024 to 4:00 p.m. on Friday, 15 November 2024 (both days inclusive). Shareholders who wish to take advantage of this service should contact Mr. Kelvin Li of Lego Securities Limited at Room 1506, 15/F, Wheelock House, 20 Pedder Street, Central, Hong Kong or at telephone number (852) 2128 9433 during normal office hours of such period.

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

REASONS FOR THE SHARE CONSOLIDATION

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the share approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the listed issuer to either change the trading method or to proceed with a consolidation or splitting of the Existing Shares.

In view of the prevailing trading price of the Shares at a level below HK\$0.10 and the value per board lot being substantially less than HK\$2,000, the Board considers that upon the Share Consolidation becoming effective, based on the closing price of HK\$0.038 per Existing Share as at the Latest Practicable Date, the theoretical share price of the Company would be adjusted to HK\$0.38 per Consolidated Share; and with a board lot size of 4,000 Consolidated Shares, the theoretical new board lot value would be HK\$1,520. Further, it is expected that the Share Consolidation will increase the nominal value of the Shares. Accordingly, the Share Consolidation will bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction and handling costs of dealings in the Consolidated Shares. As a result, the Share Consolidation would attract more investors and hence broaden the Shareholder base.

LETTER FROM THE BOARD

The Share Consolidation will not have any material adverse effect on the financial position of the Company nor result in change in the relative rights of the Shareholders and are in the interests of the Company and the Shareholders as a whole. As at the Latest Practicable Date, save for the Share Consolidation, the Company has no intention to carry out other corporate action or arrangement, including share consolidation, share sub-division and capital reduction, in the next 12 months, which may have an effect of undermining or negating the intended purpose of the Share Consolidation.

The Company does not have any concrete plan to conduct any fund-raising activities in the next 12 months. However, in the event there is any change to the business environment and/or financial position of the Group due to unforeseeable circumstances, and the Company is required to conduct further fund-raising exercises when suitable opportunities arise in order to support future development of the Group, the Company will publish further announcement(s) in compliance with the GEM Listing Rules as and when appropriate.

POSSIBLE ADJUSTMENTS TO OUTSTANDING SHARE OPTIONS AND CONVERTIBLE BONDS

Share Options

Under the terms and conditions of the Share Option Scheme, the Share Consolidation may lead to adjustments to the number of shares of the Company available for issue under the scheme limit, which has not yet been utilised, of the Share Option Scheme, and/or the exercise price and/or the number of shares of the Company falling to be issued upon the exercise of the Share Options. The aforementioned adjustment is conditional on the confirmation in writing by the auditors of the Company or the independent financial adviser appointed by the Company that the alteration is made on the basis that the proportion of the issued share capital of the Company to which a participant of the Share Option Scheme is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration. Such adjustment must give a participant the same proportion of the equity capital, rounded to the nearest whole share, as that to which that person was previously entitled, but no such adjustments may be made to the extent that a share would be issued at less than its nominal value (if any).

LETTER FROM THE BOARD

Upon the Share Consolidation become effective, pursuant to the terms and conditions of the Share Option Scheme, the exercise price and the number of the outstanding Share Options granted under the Share Option Scheme will be adjusted in the following manner:

Date of grant	Exercise period of the Share Options	Category of participants	Number of Existing Shares to be issued upon exercise of the Share Options	Exercise price per Existing Shares	Number of Consolidated Shares to be issued upon exercise of the Share Options	Exercise price per Consolidated Share
19/5/2022	19/5/2022-18/5/2032	Employee	3,700,000	0.137	370,000	1.37
		Business partners (Note 1)	14,832,000	0.137	1,483,200	1.37

Note:

- The Share Options have been granted to two business partners, namely (i) Mr. Ou Yafei, a substantial Shareholder; and (ii) Ms. Jing Li (荆莉), a third party independent of the Company, on 19 May 2022 and each of them holds 7,416,000 Share Options.

Convertible bonds

As at the Latest Practicable Date, the Company has outstanding convertible bonds in a principal amount of HK\$18,160,000. Assuming full conversion of such convertible bonds, an aggregate of 144,126,984 Existing Shares may be allotted and issued by the Company upon exercise of the conversion rights attaching to the convertible bonds. Pursuant to the terms and conditions of such convertible bonds, the conversion price will be adjusted upon occurrence of certain events, including share consolidation. As such, the Share Consolidation triggers an event of adjustment and the conversion price of the aforesaid convertible bonds will be adjusted as a result of the Share Consolidation from HK\$0.126 to HK\$1.26 effective from the close of business in Hong Kong on the day immediately preceding the date on which the Share Consolidation becomes effective.

The table below sets out the conversion price and the number of Shares falling to be issued upon full conversion of the convertible bonds before and after the above adjustment:

Before adjustment		After adjustment	
Initial conversion price (HK\$)	Number of Existing Shares falling to be issued upon full conversion	Adjusted conversion price (HK\$)	Number of Consolidated Shares falling to be issued upon full conversion
0.126	144,126,984	1.26	14,412,698

LETTER FROM THE BOARD

Pursuant to the terms and conditions of the Convertible Bonds, the conversion price will be adjusted upon occurrence of certain events, including share consolidation. As such, the Share Consolidation triggers an event of adjustment and the conversion price of the Convertible Bonds will be adjusted as a result of the Share Consolidation from HK\$0.10 to HK\$1.00 effective from the close of business in Hong Kong on the day immediately preceding the date on which the Share Consolidation becomes effective.

The table below sets out the conversion price and the number of Shares falling to be issued upon full conversion of the Convertible Bonds before and after the above adjustment:

Convertible Bonds I

Before adjustment		After adjustment	
Initial conversion price	Number of Existing Shares falling to be issued upon full conversion	Adjusted conversion price	Number of Consolidated Shares falling to be issued upon full conversion
(HK\$)		(HK\$)	
0.10	60,000,000	1.00	6,000,000

Convertible Bonds II

Before adjustment		After adjustment	
Initial conversion price	Number of Existing Shares falling to be issued upon full conversion	Adjusted conversion price	Number of Consolidated Shares falling to be issued upon full conversion
(HK\$)	(Note)	(HK\$)	(Note)
0.10	56,640,000	1.00	5,664,000

Note: Assuming the maximum principal amount of HK\$5,664,000.

The aforesaid adjustments to the conversion prices of the convertible bonds shall be certified (at the option of the Company) either by the auditors of the Company for the time being or by an approved merchant bank.

THE ACQUISITION

Equity Transfer Agreement

On 29 July 2024 (after trading hours), the Company and Zhongke Xunda, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Nanyue AM. Pursuant to the Equity Transfer Agreement, the Company and Zhongke Xunda conditionally agreed to acquire from Nanyue AM the paid-up capital of Guangdong Yinwei

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contributed by Nanyue AM, which is equivalent to approximately 19.46% of the equity interest in Guangdong Yinwei at a maximum consideration of RMB10.8 million (equivalent to approximately HK\$11.664 million), which shall be satisfied by way of issue of the Convertible Bonds to Nanyue AM or its nominee(s) under the Specific Mandate.

Principal terms of the Equity Transfer Agreement are set forth below:

- Date : 29 July 2024 (after trading hours)
- Parties : (1) Nanyue AM, as vendor; and
(2) the Company and Zhongke Xunda, as purchasers
- Subject matter : The Company and Zhongke Xunda have conditionally agreed to purchase, and Nanyue AM has conditionally agreed to sell, the paid-up capital of Guangdong Yinwei contributed by Nanyue AM, which is equivalent to approximately 19.46% equity interest in Guangdong Yinwei.
- Consideration : The maximum consideration of RMB10.8 million (equivalent to approximately HK\$11.664 million) shall be satisfied by way of issue of the Convertible Bonds to Nanyue AM or its nominee(s) under the Specific Mandate, in the following manner:
1. The first instalment of HK\$6,000,000, shall be satisfied by way of the issue of the Convertible Bonds I to Nanyue AM or its nominee(s) under the Specific Mandate within 7 days following completion of the Equity Transfer Agreement; and
 2. The final instalment in the maximum amount of HK\$5,664,000, shall be adjusted according to the adjustment mechanism below, and satisfied by way of the issue of the Convertible Bonds II to Nanyue AM or its nominee(s) under the Specific Mandate within 7 days following the issuance of the HKFRS Report (as defined below).

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The Company and Zhongke Xunda shall, within three months after the completion of the Equity Transfer Agreement, appoint an auditor to conduct agreed upon procedures on the financial statements of Guangdong Yinwei for the six months ended 30 June 2024 in accordance with the Hong Kong Financial Reporting Standards (the “**HKFRS Report**”).

The consideration was determined after arm’s length negotiation between the parties with reference to, among other things, (i) the registered capital of Guangdong Yinwei of RMB51.4 million, and the paid-up capital of Guangdong Yinwei of RMB24.0 million, of which RMB10.0 million was paid up by Nanyue AM; (ii) the latest financial performance and position of Guangdong Yinwei, the revenue of which increased significantly from approximately RMB47,200 for 2022 to approximately RMB20.5 million for 2023, and turned around from loss-making positing to net profit of approximately RMB3.8 million for 2023; and (iii) the reasons for and benefits of the Acquisition as stated under the section headed “Letter from the Board – Reasons for and benefits of the Acquisition” below.

The consideration of RMB10.8 million represents a slight premium of approximately 3.0% over the adjusted net asset value of Guangdong Yinwei of approximately RMB53.9 million (based on the net asset value of Guangdong Yinwei of approximately RMB26.5 million as at 31 December 2023 plus the paid-up of the outstanding registered capital of RMB27.4 million of Guangdong Yinwei in full). Having considered (i) Guangdong Yinwei has achieved satisfactory results in the development of biochips; and (ii) the benefit of the Acquisition to the development of the Group’s biotechnology business as stated under the section headed “Letter from the Board - Reasons for and benefits of the Acquisition” below, the Directors (including the independent non-executive Directors) are of the view that the consideration for the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Adjustment : In the event that the net asset value of Guangdong Yinwei
mechanism to the as at 30 June 2024, as reported under the HKFRS Report, is
final instalment RMB20.0 million or above, the final instalment and the
principal amount of Convertible Bond II will be
HK\$5,664,000.

In the event that the net asset value of Guangdong Yinwei
as at 30 June 2024, as reported under the HKFRS Report, is
less than RMB20.0 million, the final instalment and the
principal amount of Convertible Bond II will be adjusted as
below:

$$\text{Adjusted final instalment} = A - [(B - C) \times 19.46\%] - D$$

The exchange rate in calculating the adjusted final
instalment as agreed by the parties is RMB1 = HK\$1.08

A = The initial total consideration of RMB10.8 million of
the Equity Transfer Agreement

B = Unaudited net asset value of Guangdong Yinwei as at
31 December 2023 of RMB26,482,421

C = Net asset value of Guangdong Yinwei as at 30 June
2024 as reported under the HKFRS Report

D = First instalment of HK\$6,000,000

For the avoidance of doubt, in the event that the adjusted
final instalment equals to or is less than zero, Nanyue AM
shall not be entitled to any consideration/instalment, other
than the initial instalment.

The adjustment threshold on net asset value of Guangdong
Yinwei of RMB20.0 million as at 30 June 2024, as reported
under the HKFRS Report, was determined after arm's length
negotiation between the parties, taking into account (i) the
estimated research and development cost of over RMB5
million invested by Guangdong Yinwei up to 30 June 2024
which has been capitalised in the financial statements of
Guangdong Yinwei prepared in accordance with PRC
accounting standards, where such research and development
cost may not be recognised as capital in nature under the
Hong Kong Financial Reporting Standards; and (ii) the
possible provision of expected credit loss on trade and other
receivables of Guangdong Yinwei.

LETTER FROM THE BOARD

The Company will announce the details and results of the HKFRS Report and the final instalment to be settled following the adjustment made according to the HKFRS Report (as the case may be) as and when appropriate.

Conditions precedent : Completion of the Equity Transfer Agreement is subject to the fulfillment of the following conditions:

- (i) the Independent Shareholders having passed an ordinary resolution at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder (including the allotment and issue of the Convertible Bonds), and the proposed grant of the Specific Mandate in accordance with the requirements of the GEM Listing Rules, the memorandum and articles of associations of the Company and any other relevant laws and regulations;
- (ii) no court, arbitrator, authority, or other statutory or regulatory body having served, issued or made any notice, order, judgement, action or proceeding which restrains, prohibits or makes unlawful any transaction contemplated under the Equity Transfer Agreement, or any notice, order, judgement, action or proceeding (if applicable) which is likely to materially and adversely affect the eligibility and right of the purchaser to legally own the target equity interest, free from encumbrances, on or after the completion date;
- (iii) the Stock Exchange having granted the listing approval in relation to the listing of, and permission to deal in the Conversion Shares; and
- (iv) having obtained the approval and permission from the relevant government department necessary for the execution of the transactions contemplated under the Equity Transfer Agreement, and completed the changes in industry and business registration with the relevant Administration of Industry and Commerce of the PRC.

None of the above conditions can be waived by the Company, Zhongke Xunda or Nanyue AM. As at the Latest Practicable Date, none of the conditions have been fulfilled.

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If the conditions precedent have not been satisfied on or before 31 December 2024, or such later date as Nanyue AM, the Company and Zhongke Xunda may agree, the Equity Transfer Agreement shall cease and terminate immediately on such date, and thereafter neither Nanyue AM, the Company nor Zhongke Xunda shall have any obligations and liabilities which have been accrued prior to termination towards each other under the Equity Transfer Agreement (save and except for the liability of any party to the others in respect of any breaches of the terms thereof).

The Convertible Bonds

The principal terms of the Convertible Bonds are summarised as follows:

Issuer	:	The Company
Principal amount	:	Maximum of HK\$11,664,000
Maturity date	:	The sixth anniversary of the date of issue of the Convertible Bonds (the “ Maturity Date ”).
Interest	:	1% per annum on the outstanding principal amount of the Convertible Bonds, payable in arrears on the Maturity Date.
Conversion Price	:	HK\$0.10 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds, which represents: (i) a premium of approximately 66.67% over the closing price of HK\$0.0600 per Existing Share as quoted on the Stock Exchange on the date of the Equity Transfer Agreement; (ii) a premium of approximately 67.79% over the average closing price of HK\$0.0596 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Equity Transfer Agreement; (iii) a premium of approximately 68.35% over the average closing price of HK\$0.0594 per Existing Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Equity Transfer Agreement;

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- (iv) a premium of approximately 163.16% over the closing price of HK\$0.0380 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v) a discount of approximately 29.27% to the audited consolidated net asset value of the Company as at 31 December 2023 per Existing Share attributable to the Shareholders of approximately HK\$0.1414 (based on the audited consolidated statement of the financial position of the Company as at 31 December 2023 and the number of Shares in issue as at the date of the Equity Transfer Agreement); and
- (vi) a discount of approximately 28.51% to the unaudited consolidated net asset value of the Company as at 30 June 2024 per Existing Share attributable to the Shareholders of approximately HK\$0.1399 (based on the unaudited consolidated statement of the financial position of the Company as at 30 June 2024 and the number of Shares in issue as at the date of the Equity Transfer Agreement).

The Conversion Price, was determined after arm's length negotiation between the Company, Zhongke Xunda and Nanyue AM with reference to, among other things, the prevailing trading prices of the Shares, the financial condition of the Group and the dilution effect upon the conversion of the Convertible Bonds in full.

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Despite the Conversion Price represents a discount to the unaudited consolidated net asset value of the Company as at 30 June 2024 per Existing Share attributable to the Shareholders and that the shareholding interests of the public Shareholders would be diluted from approximately 61.02% to 54.31% immediately after the full conversion of the Convertible Bonds, having considered that (i) the market Share price has been trading below the net asset value per Existing Share; (ii) the Conversion Price of HK\$0.10 per Conversion Share represents a significant premium to the prevailing closing prices of the Existing Shares; and (iii) the benefit of the Acquisition to the development of the Group's biotechnology business as stated under the section headed "Letter from the Board - Reasons for and benefits of the Acquisition" below, the Directors (including the independent non-executive Directors) are of the view that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company and the Shareholders as a whole.

Adjustment events : The Conversion Price shall from time to time be subject to adjustment upon occurrence of the following events:

- (i) alteration of the nominal amount of the Shares by reason of any consolidation or subdivision, the Conversion Price shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount.

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or subdivision becomes effective.

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- (ii) issue of Shares credited as fully paid by way of capitalisation of profits or reserves, the Conversion Price shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

- (iii) capital distribution, the Conversion Price in force immediately prior to such distribution or grant shall be reduced by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the market price on the date on which such distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the date next preceding the date of such distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by an approved merchant bank (as defined in the CB Instrument) or the auditors of the Company for the time being, of the portion of such distribution or of such rights which is attributable to one Share.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the such distribution or the grant.

LETTER FROM THE BOARD

- (iv) issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share initially receivable for such securities is less than 80 per cent. of the market price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than 80 per cent. of the market price, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants (such adjustment to become effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant).

LETTER FROM THE BOARD

- (v) issue wholly for cash of Shares at a price per Share less than 80 per cent. of the market price, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total effective consideration (as defined in the CB Instrument) receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

Conversion Shares : Assuming the Conversion Rights attaching to the Convertible Bonds I are exercised in full at the initial Conversion Price, the maximum number of 60,000,000 Conversion Shares or 6,000,000 Conversion Shares upon the Share Consolidation becoming effective to be issued represent (i) approximately 6.35% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 5.97% of the issued share capital of the Company as enlarged by the allotment and issue of the 60,000,000 Conversion Shares or 6,000,000 Conversion Shares upon the Share Consolidation becoming effective (assuming there will be no change in the total number of issued Shares from the Latest Practicable Date up to the full conversion of the Convertible Bonds I).

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Assuming the Conversion Rights attaching to the Convertible Bonds II (assuming the maximum principal amount of HK\$5,664,000) are exercised in full at the initial Conversion Price, the maximum number of 56,640,000 Conversion Shares or 5,664,000 Conversion Shares upon the Share Consolidation becoming effective to be issued represent (i) approximately 5.99% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 5.65% of the issued share capital of the Company as enlarged by the allotment and issue of the 56,640,000 Conversion Shares or 5,664,000 Conversion Shares upon the Share Consolidation becoming effective (assuming there will be no change in the total number of issued Shares from the Latest Practicable Date up to the full conversion of the Convertible Bonds II).

Assuming the Conversion Rights are exercised in full at the initial Conversion Price, the maximum number of 116,640,000 Conversion Shares or 11,664,000 Conversion Shares upon the Share Consolidation becoming effective to be issued represent (i) approximately 12.34% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 10.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming there will be no change in the total number of issued Shares from the Latest Practicable Date up to the full conversion of the Convertible Bonds).

The maximum number of Conversion Shares to be issued upon exercise of the Conversion Rights is limited to a maximum number of Shares granted under the Specific Mandate.

Conversion Period : The period commencing from the date of issue of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the Maturity Date.

LETTER FROM THE BOARD

- Conversion Rights : The holder of the Convertible Bonds shall, subject to compliance with the procedures set out in the conversion restrictions (as below), has the right at any time during the Conversion Period to convert the whole or part of the outstanding principal amount of the Convertible Bonds registered in its name into Conversion Shares provided further that any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted.
- Conversion restrictions : The Company shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the Conversion Rights:
- (i) the holder of the Convertible Bonds and parties acting in concert with it will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code unless (a) a waiver from strict compliance to make a mandatory general offer under Rule 26.1 of the Takeovers Code is obtained in accordance with the requirement of the Takeovers Code; or (b) a general offer is made in accordance with the requirement of the Takeovers Code; and
 - (ii) would result in the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 11.23(7) of the GEM Listing Rules.

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Maturity : Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem the Convertible Bonds at the price equal to 100% of its principal amount, together with any outstanding interest and any other sum payable, if applicable, on the Maturity Date. The Company may not, and the holder of the Convertible Bonds is not entitled to request the Company to, redeem the Convertible Bonds in whole or in part at its option prior to that Maturity Date.

Redemption : The holder of the Convertible Bonds may require the Company to redeem all or part of the Convertible Bonds in the multiples of HK\$1,000,000 by giving a notice of redemption at any time before the Maturity Date only in event that any bondholder has given a notice in respect of the occurrence of an event of default at the redemption price equals to 100% of the principal amount of all or part of the Bonds to be redeemed.

The Company may voluntarily redeem all or any part of the Convertible Bonds at any time following the first anniversary of the date of issue of the Convertible Bonds and prior to the Maturity Date by repaying the holder(s) of the Convertible Bonds at the redemption price equals to 100% of the principal amount of all or part of the Convertible Bonds to be redeemed as may be determined by the Company together with the accrued interest after serving at least one-month prior notice.

Ranking of Conversion Shares : The Conversion Shares issued upon conversion of the Convertible Bonds will in all respects rank *pari passu* with the Shares in issue on the date of allotment and issue of such Conversion Shares and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant conversion date. A holder of Conversion Shares issued shall not be entitled to any rights the record date for which precedes the relevant conversion date.

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Voting rights	:	The holder of the Convertible Bonds shall not be entitled to attend or vote at any meetings of the Company by reason only it being the bondholder.
Transferability	:	The holder of the Convertible Bonds may only assign or transfer the Convertible Bonds to the transferee other than a connected person (as defined in the GEM Listing Rules) subject to the prior written consent of the Company.
Application for listing	:	No application will be made for a listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

The Conversion Shares will be issued under the Specific Mandate.

Application will be made to the Stock Exchange for the listing of, and permission to deal in the Conversion Shares. The Conversion Shares to be allotted and issued shall rank *pari passu* among themselves and with all the Shares in issue on the date of conversion.

Subject to the granting of the approval of listing of, and permission to deal in, the Conversion Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Conversion 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 Conversion Shares on the Stock Exchange or, under contingent situation, 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 settlement day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Conversion Shares to be admitted into CCASS established and operated by HKSCC. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Completion

Completion of Equity Transfer Agreement shall take place after all the conditions precedent have been satisfied, or such later date as the Company, Zhongke Xunda and Nanyue AM may agree.

Upon completion of the Equity Transfer Agreement, Guangdong Yinwei will be held as to approximately 19.46% by Zhongke Xunda.

LETTER FROM THE BOARD

INFORMATION OF THE PARTIES

Information of the Company, the Group and Zhongke Xunda

The Company is principally engaged in investment holding. The Group is principally engaged in the provision of funeral and related services in the PRC, Taiwan and Hong Kong, sale of burial plots and tombstones and provision of cemetery maintenance services in Vietnam, sales of advance biotechnical machineries in Hong Kong, investment activities in the PRC, and provision of advisory services on stem cells and immunocytes.

Zhongke Xunda, an indirect wholly-owned subsidiary of the Company, is principally engaged in the businesses of research and development of medicine, development of biotechnology and biomedical engineering, consultancy of biotechnology, etc.

Information of Nanyue AM

Nanyue AM is principally engaged in asset management, investment management, equity investment and investment consulting services. Nanyue AM has been concentrating on biotechnological investments and cooperates with scientists from a top research institution in China to promote the application and industrialisation of research results. Nanyue AM's investments mainly include biochips, biological big data, cytokine, stem cells, tumor testing and targeted therapy, pestilence testing, treatment and vaccine development, and research and development of life science equipment.

Information of Guangdong Yinwei

Guangdong Yinwei is principally engaged in research and development of biochips, high throughput sequencing, big data cloud computing analysis, and personalised medical consulting services. It provides biochips for biological research and clinical diagnosis to domestic and foreign medical institutions, physical examination institutions, scientific research institutions, pharmaceutical companies, etc., as well as related services.

As at the Latest Practicable Date, Guangdong Yinwei is owned as to approximately 42.80%, 19.46%, 15.56%, 11.67% and 10.51% equity interests by Beijing Ruibo Decoding Biotechnology Co., Ltd.* (北京睿博解碼生物科技有限公司), Nanyue AM, Shenzhen Kangyue Hengtai Biotechnology Partnership (Limited Partnership)* (深圳康嶽恒泰生物科技合夥企業(有限合夥)), Foshan Yinboya Biotechnology Partnership (Limited Partnership)* (佛山因博雅生物科技合夥企業(有限合夥)) and Foshan Xiangyuanda Biotechnology Partnership (Limited Partnership)* (佛山祥源達生物科技合夥企業(有限合夥)), respectively.

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Beijing Ruibo Decoding Biotechnology Co., Ltd.* is principally engaged in development of medical technology, provision of medical technical consultation, and production of medical protective equipment in the PRC. It is wholly-owned by Chen Runsheng* (陳潤生), a third party independent of the Company.

Shenzhen Kangyue Hengtai Biotechnology Partnership (Limited Partnership)* is a private equity investment fund focusing on biotechnology-related investments in the PRC. It is owned by Jiang Weimin* (江偉民), Luo Mei* (羅梅), Li Bin* (李彬), Luo Jun* (羅軍) and Nanyue AM as to approximately 32.26%, 32.26%, 16.13%, 16.13% and 3.22%, respectively. Jiang Weimin* and Luo Mei* are the directors and shareholders of HK Gaoqi. Luo Jun* is a third party independent of the Company. Li Bin*, a third party independent of the Company, is the father of Li Shulin* (李樹霖), who is a director and shareholder of HK Gaoqi. Mr. Xu is interested in HK Gaoqi through his 25.55% direct beneficial interest and 9.78% through HBT Limited, the remaining equity interest of 64.67% in HK Gaoqi is equally held by Jiang Weimin*, Luo Mei* and Li Shulin*.

Foshan Yinboya Biotechnology Partnership (Limited Partnership)* is principally engaged in medical research and experimental development, provision of medical technical consultation, data processing, and storage support services. It is equally owned by Chen Runsheng* (陳潤生) and Ren Zairong* (任再榮), both of whom are third parties independent of the Company.

Foshan Xiangyuanda Biotechnology Partnership (Limited Partnership)* is principally engaged in medical research and experimental development, data processing, and storage support services. It is equally owned by Chen Runsheng* (陳潤生) and Chen Jing* (陳婧), both of whom are third parties independent of the Company.

Set out below is the unaudited financial information of Guangdong Yinwei for the years ended 31 December 2022 and 2023 in accordance with PRC accounting standards:

	Year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	47.2	20,534.9
Net (loss)/profit before and after taxation	(9,621.7)	3,831.3

In 2022, Guangdong Yinwei was still in the research and development phrase, hence only minimal revenue of approximately RMB47,200 was recorded for the year ended 31 December 2022. In 2023, Guangdong Yinwei has successfully launched its biochip-related analysis services in the PRC and has generated (i) revenue from the provision of genetic extracting, sequencing and analysis service; and (ii) license fees in relation to the research results and technology, of approximately RMB20.5 million. As at 31 December 2023, Guangdong Yinwei had net assets of approximately RMB26.5 million. As at the Latest Practicable Date, the registered capital of

LETTER FROM THE BOARD

Guangdong Yinwei is RMB51.4 million, and the paid-up capital of Guangdong Yinwei is RMB24 million of which RMB10.0 million, RMB8.0 million, and RMB6.0 million is paid up by Nanyue AM, Shenzhen Kangyue Hengtai Biotechnology Partnership (Limited Partnership)* and Beijing Ruibo Decoding Biotechnology Co., Ltd.*, respectively.

According to the articles of association of Guangdong Yinwei, contribution of the outstanding registered capital of RMB27.4 million should be completed by Beijing Ruibo Decoding Biotechnology Co., Ltd.*, Foshan Yinboya Biotechnology Partnership (Limited Partnership)*, and Foshan Xiangyuanda Biotechnology Partnership (Limited Partnership)* as to RMB16.0 million, RMB6.0 million and RMB5.4 million, respectively, on or before 31 December 2025.

To the best knowledge of the Directors, there is no material change in the financial performance and position of Guangdong Yinwei since 1 January 2024 up to the Latest Practicable Date.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has been actively seeking to diversify its income sources in order to enhance returns to the Shareholders. The Group has formed a business system focusing on traditional funeral services and emerging biotechnology. The Group has made a presence in the biotechnology business since early 2019.

Guangdong Yinwei was founded by a team of professional scientists at a top biophysics institution in the PRC in 2015. Guangdong Yinwei is principally engaged in research and development of biochips, high-throughput sequencing, big data cloud computing analysis, and personalised medical consulting services. In recent years, Guangdong Yinwei has achieved great success in the development of biochips for the detection of various diseases, such as tumors, cardiovascular and cerebrovascular diseases, diabetes, nervous system, etc. The Group expects to apply the biochips developed by Guangdong Yinwei in the upstream disease detection process for the stem cells and immune cells applications of the Group. In addition, leveraging on the strong biotechnology research and development capability of Guangdong Yinwei could provide further technical support to the potential product development of the Group. The Directors are of the view that the Acquisition fosters collaboration between the Group and Guangdong Yinwei which could further enhance the strength of scientific research and the innovation capabilities of the Group in the biotechnology industry as well as to enrich the product lines of the Group and can create synergy for the Group's existing business. It is expected that upon the realization of sales of Guangdong Yinwei's biochip products could materialise the investment return of the Company and improve the financial performance of the Group with an aim to maximise the return to the Shareholders.

LETTER FROM THE BOARD

Settlement alternatives

The Board has considered various alternatives apart from the issuance of the Convertible Bonds to settle the consideration for the Acquisition, including financing the payment by the Group's internal resources and external debt or equity financing. The Group has unaudited cash and bank balances of approximately RMB118.8 million as at 30 June 2024, approximately 70% of which is intended to be used for the operation of the funeral and related services business of the Group in Taiwan and Vietnam and are subject to exchange controls and restrictions, approximately 20% of which is intended to be used for biotechnology and related investments of Zhongke Zhenhui and Guangdong Zhenyuan, including two health food companies and a medical clinic in the PRC, and the remaining balance is intended for general working capital of the Company. Hence, the Group does not have sufficient internal resources to settle the consideration of the Acquisition in cash.

In respect of debt financing (e.g. bank borrowings), having considered the prevailing high interest rate environment, the Board is of the view that the interest rate of 1% of the Convertible Bonds is more favourable to the Group than that generally offered by banks, which would further increase the overall financial burden of the Group. According to the annual report of the Company for the year ended 31 December 2023, the Group recorded net loss of approximately RMB10.1 million. In light of the financial performance of the Group, it may be difficult, uncertain and time-consuming for the Company to obtain additional bank borrowings, and debt financing generally involves pledge of assets and/or securities which may reduce the Group's flexibility.

In respect of equity financing, the Board is of the view that issue of consideration shares will create immediate dilution effect on the shareholdings of existing Shareholders. Hence, the Board is of the view that the issuance of the Convertible Bonds is a more suitable option for the Company under the current circumstances.

Based on the foregoing, having considered (i) the reasons for and benefits of the Acquisition; (ii) the Convertible Bonds being a more suitable method to settle the consideration for the Acquisition for the Company; (iii) the business prospect of Guangdong Yinwei; (iv) the financial performance of Guangdong Yinwei having achieved notable results; and (v) the consideration of the Acquisition of RMB10.8 million represents a slight premium of approximately 3.0% over the adjusted net assets value of Guangdong Yinwei of approximately RMB53.9 million as at 31 December 2023 (assuming the registered capital of Guangdong Yinwei is fully paid up), the Directors (including the independent non-executive Directors) consider that the Acquisition is on normal commercial terms, and the terms of the Equity Transfer Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Mr. Xu, an executive Director, together with his associates control approximately 71.25% of Nanyue AM. Therefore, Mr. Xu is considered to have material interest in the Acquisition. Mr. Xu has abstained from voting on the Board resolutions to approve the Equity Transfer Agreement, the Convertible Bonds and the transactions contemplated thereunder, and the proposed grant of the Specific Mandate.

LETTER FROM THE BOARD

EFFECT OF SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Share Consolidation; (iii) immediately upon completion of the Share Consolidation and the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds I in full only; (iv) immediately upon completion of the Share Consolidation and the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds in full; and (v) immediately upon completion of the Share Consolidation, the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds in full, and the allotment and issue of new Shares upon the conversion of the outstanding convertible bonds of the Company in full:

	As at the Latest Practicable Date		Immediately upon completion of the Share Consolidation		Immediately upon completion of (i) the Share Consolidation; and (ii) the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds I in full only		Immediately upon completion of (i) the Share Consolidation; and (ii) the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds in full		Immediately upon completion of (i) the Share Consolidation; (ii) the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds in full; and (iii) the allotment and issue of new Shares upon the conversion of the outstanding convertible bonds of the Company in full	
	Number of Shares held	Approximate %	Number of Shares held	Approximate %	Number of Shares held	Approximate %	Number of Shares held	Approximate %	Number of Shares held	Approximate %
Hong Kong Gaoqi Biological Technology Company Limited ("HK Gaoqi") (Note 1)	220,475,000	23.33	22,047,500	23.33	22,047,500	21.94	22,047,500	20.77	22,047,500	18.29
Nanyue AM (Note 2)	-	-	-	-	6,000,000	5.97	11,664,000	10.99	11,664,000	9.67
Nanyue CB (Note 3)	-	-	-	-	-	-	-	-	14,412,698	11.95
Sub-total	220,475,000	23.33	22,047,500	23.33	28,047,500	27.91	33,711,500	31.76	48,124,198	39.91
Mr. Ou Yafei	147,864,000	15.65	14,786,400	15.65	14,786,400	14.71	14,786,400	13.93	14,786,400	12.26
Public Shareholders	576,661,000	61.02	57,666,100	61.02	57,666,100	57.38	57,666,100	54.31	57,666,100	47.83
Total	945,000,000	100.00	94,500,000	100.00	100,500,000	100.00	106,164,000	100.00	120,576,698	100.00

Notes:

- Mr. Xu, the chairman of the Company and an executive Director, is the director of HK Gaoqi, which holds 23.33% Existing Shares as at the Latest Practicable Date, and the director of Houp Bio-Technology Limited ("HBT Limited"), which holds 9.78% of equity interests in HK Gaoqi. Mr. Xu is interested in HK Gaoqi through his 25.55% direct beneficial interest and 9.78% through HBT Limited. HBT Limited, a company incorporated in the British Virgin Islands, has two classes of shares, namely class A and class B, in which shareholders of class A and class B have 30 votes and 1 vote per share in the shareholders' meeting respectively, and Mr. Xu holds 94.07% class A interests in HBT Limited and Ms. Qiu Qi, the spouse of Mr. Xu, holds 5.93% class A interests and 10.74% class B interests in HBT Limited. By virtue of the SFO, Mr. Xu is taken to be interested in all the shares held by Ms. Qiu Qi, hence Mr. Xu collectively controls 86.78% of the total voting rights of HBT Limited, and in turn is interested in 9.78% of HK Gaoqi.
- This is for illustration purpose only. According to the Convertible Bonds, a bondholder shall not exercise any Conversion Rights, and the Company shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the Conversion Rights, the bondholder and/or parties acting in concert with it would be required to make a mandatory general offer under Rule 26 of the Takeovers Code for the Shares held by the Company's other Shareholders.

LETTER FROM THE BOARD

3. As at the Latest Practicable Date, convertible bonds of HK\$18,160,000 have been issued by the Company to Nanyue CB. 144,126,984 Existing Shares will be issued and allotted upon exercise of the conversion rights attaching to the convertible bonds at the initial conversion price of HK\$0.126 per conversion share in full. For details of possible adjustment to the outstanding convertible bonds of the Company, please refer to the section headed “Letter from the Board – Possible adjustments to outstanding Share Options and convertible bonds” above.
4. The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.

Immediately upon completion of the Share Consolidation and the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds in full, shareholding of public Shareholders would be diluted from approximately 61.02% as at the Latest Practicable Date to approximately 54.31%.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Acquisition are more than 5%, but all of such ratios are less than 25%, the entering into of the Equity Transfer Agreement constitutes a discloseable transaction of the Company under Rule 19.07 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As at the Latest Practicable Date, Nanyue AM, is controlled as to approximately 71.25% by Mr. Xu (together with his associates), an executive Director, and therefore a connected person of the Company. Accordingly, pursuant to Rule 20.10 of the GEM Listing Rules, Nanyue AM is an associate of a connected person of the Company and the entering into of the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules. Mr. Xu and his associates are required to abstain from voting on the Shareholders’ resolution(s) in relation to the Equity Transfer Agreement, the Convertible Bonds and the transactions contemplated thereunder, and the proposed grant of the Specific Mandate to be proposed at the EGM.

EGM

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. The EGM will be convened and held at Portion 2, 12/F., The Center, 99 Queen’s Road Central, Central, Hong Kong at 3:00 p.m. on Wednesday, 9 October 2024 for the purpose of considering and, if thought fit, approving, among other things, the Share Consolidation, the Equity Transfer Agreement, the Convertible Bonds and the transactions contemplated thereunder, and the proposed grant of the Specific Mandate.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the GEM website (www.hkgem.com) and the Company (www.sinolifegroup.com). Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 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 or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors has been established to give advice to the Independent Shareholders in respect of the Acquisition. The letter from the Independent Board Committee, which contains its recommendation to the Independent Shareholders in respect of the Acquisition, is set out on pages 40 to 41 of this circular. The Company has appointed Octal Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. The letter of advice from Octal Capital to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-27 of this circular.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Share Consolidation, the Equity Transfer Agreement, the Convertible Bonds and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable, and the Share Consolidation and the entering into of the Equity Transfer Agreement are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

Shareholders and potential investors of the Company should note that the Share Consolidation, the Acquisition contemplated under the Equity Transfer Agreement, and the Convertible Bonds are subject to the satisfaction of certain conditions precedent. Accordingly, they may or may not be completed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

LETTER FROM THE BOARD

FURTHER INFORMATION

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

Yours faithfully,
By Order of the Board
Sino-Life Group Limited
XU Jianchun
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



SINO-LIFE GROUP LIMITED

中國生命集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8296)

16 September 2024

To the Independent Shareholders

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF APPROXIMATELY 19.46% EQUITY INTEREST IN
GUANGDONG YINWEI INVOLVING ISSUE OF
CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

We refer to the circular dated 16 September 2024 (the “Circular”) of the Company of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Equity Transfer Agreement, the Convertible Bonds, and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

Octal Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of the advice from the Independent Financial Adviser, together with the principal factors taken into consideration in arriving at such advice, are set out on pages IFA-1 to IFA-27 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 10 to 39 of the Circular and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Equity Transfer Agreement and the letter from the Independent Financial Adviser, we consider that although the entering into of the Equity Transfer Agreement is not in the ordinary and usual course of business of the Group, the terms of the Equity Transfer Agreement and the Convertible Bonds are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and the transactions contemplated under the Equity Transfer Agreement and the Convertible Bonds are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed to approve the Equity Transfer Agreement, the Convertible Bonds and the transactions contemplated thereunder, and the proposed grant of the Specific Mandate at the EGM, respectively.

Yours faithfully,

Independent Board Committee

Mr. CHAI Chung Wai

Independent

non-executive Director

Dr. YANG Jingjing

Independent

non-executive Director

Ms. HU Zhaohui

Independent

non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



801–805, 8/F, Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

16 September 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF APPROXIMATELY 19.46% EQUITY INTEREST IN
GUANGDONG YINWEI INVOLVING ISSUE OF
CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Equity Transfer Agreement, particulars of which are set out in the letter from the board (the “**Letter from the Board**”) of the circular of the Company dated 16 September 2024 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined under the definition section of the Circular.

On 29 July 2024 (after trading hours), the Company and Zhongke Xunda, which is an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Nanyue AM. Pursuant to the Equity Transfer Agreement, the Company and Zhongke Xunda conditionally agreed to acquire from Nanyue AM the paid-up capital of Guangdong Yinwei contributed by Nanyue AM, which is equivalent to approximately 19.46% of the equity interest in Guangdong Yinwei at a maximum consideration of RMB10.8 million (equivalent to approximately HK\$11.664 million), which shall be satisfied by way of issue of the Convertible Bonds to Nanyue AM or its nominee(s) under the Specific Mandate. Upon completion of the Equity Transfer Agreement, Guangdong Yinwei will be held as to approximately 19.46% by Zhongke Xunda.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Nanyue AM, is controlled as to approximately 71.25% by Mr. Xu (together with his associates), an executive Director, and therefore a connected person of the Company. Accordingly, pursuant to Rule 20.10 of the GEM Listing Rules, Nanyue AM is an associate of a connected person of the Company and the entering into of the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. CHAI Chung Wai, Dr. YANG Jingjing and Ms. HU Zhaohui, has been formed to advise the Independent Shareholders on the Equity Transfer Agreement, the Convertible Bonds and the transactions contemplated thereunder. We, Octal Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the last two years, we were appointed by the Company as an independent financial adviser in relation to the major and connected transactions in relation to the acquisition of two target companies, details of which can be referred to the circular of the Company dated 23 June 2023 (the "**Previous Engagement**"). Under the Previous Engagement, we were required to express our opinion on and give recommendations to the independent board committee of the Company and the Independent Shareholders in respect of the relevant transactions. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Directors, chief executive of the Company and substantial Shareholders and Nanyue AM, or any of their respective subsidiaries or associates. We were not connected with the Directors, chief executive of the Company and substantial Shareholders and Nanyue AM or any of their respective subsidiaries or their respective associates, and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Accordingly, we consider that we are independent to act as the Independent Financial Adviser pursuant to Rule 17.96 of the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Acquisition, and the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information, among other things, (i) the Equity Transfer Agreement; (ii) the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2024 (the “**2024 Interim Report**”); (iii) the Convertible Bonds; and (iv) other information as set out in the Circular, to reach an informed view and justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Guangdong Yinwei and any of their respective subsidiaries and associates, nor have we carried out any independent verification of the information supplied to us.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations in respect of the Acquisition, we have taken into consideration of the following principal factors and reasons:

1. Background of the Group

The Company is principally engaged in investment holding. The Group is principally engaged in (i) the provision of funeral services, including arrangement services and related consultancy services, provision of funeral and cremation services and sale of burial plots and tombstones (the “**Funeral Services**”); and (ii) the provision of advisory services on stem cells and immunocytes and sales of biotechnical machineries and other electronic products (the “**Stem Cells and Immunocytes and Other Business**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below summarises the major financial information of the Group for the years ended 31 December 2022 and 2023 (“**FY2022**” and “**FY2023**”, respectively) extracted from the 2023 Annual Report and for the six months ended 30 June 2023 and 2024 (“**1H2023**” and “**1H2024**”, respectively) extracted from the 2024 Interim Report.

RMB'000	FY2022 (audited)	FY2023 (audited)	1H2023 (unaudited)	1H2024 (unaudited)
Funeral Services	77,969	69,501	37,832	34,383
Stem Cells and Immunocytes and Other Business	<u>–</u>	<u>3,069</u>	<u>2,999</u>	<u>–</u>
Total revenue	77,969	72,570	40,831	34,383
Gross profit	39,800	33,481	16,996	11,971
Profit/(loss) for the year/ period	626	(10,086)	(4,561)	(8,909)

Source: 2023 Annual Report and 2024 Interim Report

FY2023 compared to FY2022

The revenue of the Group decreased from approximately RMB78.0 million in FY2022 to approximately RMB72.6 million in FY2023, representing a decrease of approximately RMB5.4 million or 6.9%. Such decrease was mainly driven by the decline in demand of funeral, cremation and cemetery services business in Chongqing. During FY2023, the advanced biotechnical machineries distributed by the Group were delivered and installed in the customers' specified location, leading to the recognition of revenue of approximately RMB3.1 million.

The Group recorded net loss of approximately RMB10.1 million in FY2023. The loss-making performance of the Group in FY2023 was mainly caused by (i) the decrease in gross profit by approximately RMB6.3 million mainly due to the inflationary pressure to the Funeral Services; and (ii) the increase in the administrative expenses of approximately RMB9.0 million as mainly contributed by the general increase in the salary level across different geographical segments, repair and maintenance costs and other operation and professional expenses.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1H2024 compared to 1H2023

The revenue of the Group decreased from approximately RMB40.8 million in 1H2023 to approximately RMB34.4 million in 1H2024, representing a decrease of approximately RMB6.4 million or 15.8%. Such decrease was mainly driven by the decline in demand of the Group's funeral, cremation and cemetery services in the PRC market and no revenue was generated from the Stem Cells and Immunocytes and Other Business during 1H2024.

The Group recorded net loss of approximately RMB8.9 million in 1H2024, representing an increase of approximately RMB4.3 million or 95.3%. The increase in net loss was mainly caused by the decrease in revenue.

Major items of the audited consolidated financial position of the Group as at 31 December 2023 and the unaudited consolidated financial position of the Group as at 30 June 2024 are summarised as below:

	As at 31 December 2023 RMB'000 (audited)	As at 30 June 2024 RMB'000 (unaudited)
Non-current assets		
Property, plant and equipment	32,601	31,011
Right-of-use assets	19,088	16,452
Other non-current assets	<u>6,930</u>	<u>6,525</u>
	58,619	53,988
Current assets		
Financial assets measured at fair value through profit or loss ("FVTPL")	48,495	45,336
Trade and other receivables and deposits paid	33,268	38,179
Cash and cash equivalents	125,019	118,770
Other current assets	<u>6,306</u>	<u>5,779</u>
	213,088	208,064
Total assets	271,707	262,052

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December 2023 RMB'000 (audited)	As at 30 June 2024 RMB'000 (unaudited)
Non-current liabilities		
Bank borrowings	2,484	1,798
Convertible bonds	14,313	13,636
Contract liabilities	592	536
Other non-current liabilities	<u>14,216</u>	<u>11,432</u>
	31,605	27,402
Current liabilities		
Contract liabilities	91,096	87,145
Bank borrowings	1,275	1,240
Other current liabilities	<u>39,198</u>	<u>40,319</u>
	131,569	128,704
Total liabilities	163,174	156,106
Net current assets	81,519	79,360
Net assets	108,533	105,947

Source: 2023 Annual Report and 2024 Interim Report

As shown in the above, as at 31 December 2023, the Group's total assets mainly comprise of cash and cash equivalents and financial assets measured at FVTPL, being the investment in mutual funds/unit trusts established in Taiwan in accordance to the requirement under the Mortuary Service Administration Act, and securities listed outside Hong Kong for trading purpose, which amounted to approximately RMB48.5 million.

The Group's liabilities mainly include contract liabilities, which amounted to approximately RMB91.7 million, being the prepayment received from customers for Funeral Services and Stem Cells and Immunocytes and Other Business, and represented approximately 56.2% of total liabilities as at 31 December 2023, among which approximately RMB84.7 million and approximately RMB7.0 million is related to Funeral Services and Stem Cells and Immunocytes and Other Business respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 June 2024, the Group's total assets mainly comprise of cash and cash equivalents and financial assets measured at FVTPL, being the investment in mutual funds/unit trusts established in Taiwan in accordance to the requirement under the Mortuary Service Administration Act, and securities listed outside Hong Kong for trading purpose, which amounted to approximately RMB45.3 million.

The Group's liabilities mainly include contract liabilities, which amounted to approximately RMB87.7 million, being the prepayment received from customers for Funeral Services and Stem Cells and Immunocytes and Other Business, and represented approximately 56.2% of total liabilities as at 30 June 2024.

2. Background of Guangdong Yinwei

Established in May 2015, Guangdong Yinwei is principally engaged in research and development of biochips, high-throughput sequencing, big data cloud computing analysis, and personalised medical consulting services. During the past two years, the revenue of Guangdong Yinwei is derived from the provision of genetic extracting, sequencing and analysis services to medical institutions, physical examination institutions, scientific research institutions and pharmaceutical companies. In addition, Guangdong Yinwei also generates licensing fees in relation to the research results and technology to a client who is engaged in provision of medical technology information consultation services. Guangdong Yinwei deploys eight staff and operates a clinical research and diagnosis centre in Foshan, Guangdong Province.

Pursuant to the shareholders meeting resolution of Guangdong Yinwei on 1 December 2020, Guangdong Yinwei increased its registered capital from RMB40.0 million to RMB51.4 million. The additional registered capital was RMB11.4 million of which (i) RMB6.0 million will be paid up by Foshan Yinboya Biotechnology Partnership (Limited Partnership)*, representing approximately 11.67% of the total increased registered capital; and (ii) RMB5.4 million will be paid up by Foshan Xiangyuanda Biotechnology Partnership (Limited Partnership)*, representing approximately 10.51% of the total increased registered capital.

According to the company report of Guangdong Yinwei extracted from the National Enterprise Credit Information Publicity System, as at the Latest Practicable Date, the registered capital of Guangdong Yinwei is RMB51.4 million and the paid-up capital of Guangdong Yinwei is RMB24 million, among of which RMB10.0 million, RMB8.0 million, and RMB6.0 million has been contributed by Nanyue AM, Shenzhen Kangyue Hengtai Biotechnology Partnership (Limited Partnership)* and Beijing Ruibo Decoding Biotechnology Co., Ltd.*, respectively. Nanyue AM has fully contributed its obligation under the registered capital requirement and holds as to 19.46% equity interest in Guangdong Yinwei. According to the articles of association of Guangdong Yinwei, the outstanding registered capital of RMB27.4 million should be contributed by the other three equity stakeholders on or before 31 December 2025.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below summarises major financial information of Guangdong Yinwei for FY2022 and FY2023 extracted from the management account of Guangdong Yinwei provided by the management of the Company:

RMB'000	FY2022 (unaudited)	FY2023 (unaudited)
Revenue	47	20,535
Gross (loss)/profit	(6,175)	16,501
Net (loss)/profit after tax	(9,622)	3,831

During FY2022, Guangdong Yinwei conducted research and development on the project in relation to biochips for the detection of various diseases and the related services and generated minimal revenue amounting to approximately RMB47,000. Guangdong Yinwei recorded net loss for FY2022 of approximately RMB9.6 million.

During FY2023, Guangdong Yinwei launched its biochip-related analysis services in the PRC and generated (i) revenue from the provision of genetic extracting, sequencing and analysis service; and (ii) license fees in relation to the research results and technology. During FY2023, the revenue of Guangdong Yinwei was approximately RMB20.5 million, among which approximately RMB9.2 million was generated from provision of genetic extracting, sequencing and analysing service while approximately RMB11.3 million was license fees. As shown in its unaudited management account, Guangdong Yinwei turned around to a net profit of approximately RMB3.8 million in FY2023.

The table below summarises the financial position of Guangdong Yinwei as at 31 December 2023 as extracted from the management account of Guangdong Yinwei provided by the management of the Company:

	As at 31 December 2023 RMB'000 (unaudited)
Non-current assets	5,810
Current assets	<u>20,696</u>
Total assets	26,506
Current liabilities	<u>24</u>
Net assets	<u><u>26,482</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2023, Guangdong Yinwei's total assets mainly comprise of trade and other receivable and cash and cash equivalents, which amounted to approximately RMB13.2 million and RMB7.3 million, respectively, representing approximately 50.0% and 27.5% of the total assets, respectively.

Guangdong Yinwei only had a minimal amount of trade payable as at 31 December 2023. The net assets value of Guangdong Yinwei was approximately RMB26.5 million as at 31 December 2023 (the “**2023 NAV**”).

Assuming the outstanding registered capital of RMB27.4 million has been fully paid up as at 31 December 2023 by other equity stakeholders of Guangdong Yinwei, its net assets value would be increased to approximately RMB53.9 million (the “**2023 Implied NAV**”).

3. Background of Nanyue AM

Nanyue AM is principally engaged in asset management, investment management, equity investment and investment consulting services. Nanyue AM has been concentrating on biotechnological investments and cooperates with scientists from a top research institution in China to promote the application and industrialisation of research results. Nanyue AM's investments mainly include biochips, biological big data, cytokine, stem cells, tumor testing and targeted therapy, pestilence testing, treatment and vaccine development, and research and development of life science equipment.

4. Reasons for and benefits of the Acquisition

As disclosed in the 2023 Annual Report, the Group has been actively seeking to diversify its income sources in order to enhance returns to the Shareholders. The Group has formed a business pattern focusing on the traditional funeral services and the emerging biotechnology segment which is currently the Group's long-term focus for its business development. While consolidating the traditional funeral services business, the Group will actively seize the strategic opportunities arising from the booming development of the biotechnology industry, allocate more resources to support the development of the Group's biotechnology business, and will continue seeking suitable investment targets from time to time to further diversify income sources. Zhongke Xunda has been positioned as a specialized investment segment of the Group, mainly focusing on the investment in biotechnology industry and emerging industries with development prospects, including but not limited to, biomedicine, medical healthcare, life science instruments etc., as well as those emerging industries which could create synergy effect.

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Moreover, the Group has formed a professional investment team, including but not limited to, (i) expert consultants in the biotechnology industry; (ii) investment and research professionals with solid experience in investment in biotechnology related industry; and (iii) finance and legal professional staff, etc. The investment team is currently led by Mr. Xu, the chairman of the Company and an executive Director who has extensive experience in the biotechnology investment and operation field. Leveraging on the extensive experience of the investment team of the Group, the Group could solicit and refer new projects or customers related to the biotechnology field for Guangdong Yinwei.

As advised by the management of the Company, Zhongke Xunda focuses on investing in matured projects with products/services which are already in commercialization stage, or project with revenue-generating and profit-making capability. Guangdong Yinwei has generated approximately RMB20.5 million of revenue from its research results and technology in relation to genetic extracting, sequencing and analysis service during FY2023. The management of the Company advised that the biochips developed by Guangdong Yinwei, being an in-vitro diagnostics (“**IVD**”) products used for the detection of various diseases, such as tumors, cardiovascular and cerebrovascular diseases, diabetes, nervous system, etc., are expected to be launched on or before the first half of 2025. It is expected that the commercialization of Guangdong Yinwei’s self-developed biochips could improve the financial performance of Guangdong Yinwei. As advised by the management of the Company, Guangdong Yinwei is focusing on the molecular diagnostics and genetics segment of the IVD industry, which is considered to be one of the fastest-growing segments in the IVD industry.

Furthermore, the IVD industry in the PRC has been experiencing significant growth in recent years, propelled by factors such as increasing healthcare expenditures, a growing elderly population, and higher awareness of preventive healthcare. According to the market research data published by a market research agency (based in India, partnered with 6,000 enterprises across 22 industries), the PRC’s IVD market size was estimated around USD10.61 billion in 2024 and is projected to reach USD16.86 billion by 2029, representing a compound annual growth rate of approximately 6.1%. Given the potential growth in the PRC’s IVD market, the Acquisition can help the Company penetrating and building up its market presence in the PRC’s IVD market.

As such, the Directors are of view that the investment in Guangdong Yinwei allows the Group to tap into the PRC’s IVD market and provides an opportunity of the Group to capture the potential and rapid growth in the IVD industry with a view to share the future profitability of Guangdong Yinwei. We concur with the Directors that the Acquisition is in-line with the business development of the Group and such investment is commercially justifiable.

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The Group has unaudited cash and bank balances of approximately RMB118.8 million as at 30 June 2024, approximately 70% of which is intended to be used for the operation of the Funeral Services in Taiwan and Vietnam, approximately 20% of which is intended to be used for biotechnology and related investments of Zhongke Zhenhui and Guangdong Zhenyuan, including two health food companies and a medical clinic in the PRC, and the remaining balance is intended for general working capital of the Company. Since the Group's available cash has been assigned for different operation purposes, the Group does not have immediately available internal resources to settle the consideration of the Acquisition in cash. Under such circumstances, we understand that the Company has decided to settle the full consideration of the Acquisition by issuing Convertible Bonds due to various challenges in conducting debt financing and equity financing under prevailing market sentiment as disclosed in the Letter from the Board. The scale of the Group's revenue has declined and recorded loss after tax of approximately RMB10.1 million and RMB8.9 million for FY2023 and 1H2024. Given the Conversion Price is set at a significant high premium to the average closing price per Share as quoted on the Stock Exchange for the last five and ten consecutive trading days immediately prior to the Agreement Date, if rights issue or open offer is embedded with such high premium, we considered that it will not be attractive, and therefore may result in a low participation rate from the market. There is relatively higher uncertainty in the amount of fund raised by the Company. Due to the prevailing high interest rate environment, in particular the China Loan Prime Rate is currently 3.45%, we consider that the interest rate of Convertible Bonds of 1% is more favourable to the Company and will not create a heavy interest burden to the Group. Having considered the restricted use of the available cash of the Group and the feasibility of various fund-raising channel, we concur with the Board that the issuance of the Convertible Bonds is more cost-efficient to the Group.

5. Principal terms of the Equity Transfer Agreement

Date: 29 July 2024 (after trading hours)

Parties:

1. Nanyue AM, as vendor; and
2. the Company and Zhongke Xunda, as purchasers

Subject Matter:

The Company and Zhongke Xunda have conditionally agreed to purchase, and Nanyue AM has conditionally agreed to sell, the paid-up capital of Guangdong Yinwei contributed by Nanyue AM, which equivalent to approximately 19.46% equity interest in Guangdong Yinwei.

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Consideration:

The maximum consideration of RMB10.8 million (equivalent to approximately HK\$11.664 million) (the “**Consideration**”) shall be satisfied by way of issue of the Convertible Bonds to Nanyue AM or its nominee(s) under the Specific Mandate, in the following manner:

1. The first instalment of HK\$6.0 million, shall be satisfied by way of the issue of the Convertible Bonds I to Nanyue AM or its nominee(s) under the Specific Mandate within 7 days following completion of the Equity Transfer Agreement; and
2. The final instalment in the maximum amount of HK\$5.664 million, shall be adjusted according to the adjustment mechanism, and satisfied by way of the issue of the Convertible Bonds II to Nanyue AM or its nominee(s) under the Specific Mandate within 7 days following the issuance of the HKFRS Report (as defined below).

The Company and Zhongke Xunda shall, within three months after the completion of the Equity Transfer Agreement, appoint an auditor to conduct agreed upon procedures on the financial statements of Guangdong Yinwei for the six months ended 30 June 2024 in accordance with the Hong Kong Financial Reporting Standards (the “**HKFRS Report**”).

The Consideration was determined after arm’s length negotiation between the parties with reference to, among other things, (i) the registered capital of Guangdong Yinwei of RMB51.4 million, and the paid-up capital of Guangdong Yinwei is RMB24.0 million of which RMB10.0 million is paid up by Nanyue AM; (ii) the latest financial performance and position of Guangdong Yinwei, the revenue of which increased from approximately RMB47,200 for FY2022 to approximately RMB20.5 million for FY2023, and turned around from loss-making position in FY2022 to net profit of approximately RMB3.8 million for FY2023; and (iii) the reasons for and benefits of the Acquisition as stated in the Letter from the Board.

Adjustment mechanism to the final instalment:

In the event that the net asset value of Guangdong Yinwei as at 30 June 2024, as reported under the HKFRS Report, is RMB20.0 million or above, the final instalment and the principal amount of Convertible Bond II will be HK\$5.664 million.

In the event that the net asset value of Guangdong Yinwei as at 30 June 2024, as reported under the HKFRS Report, is less than RMB20.0 million, the final instalment and the principal amount of Convertible Bond II will be adjusted based on the formula disclosed in the Letter from the Board.

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For the avoidance of doubt, in the event that the adjusted final instalment equals to or is less than zero, Nanyue AM shall not be entitled to any consideration/instalment, other than the initial instalment.

For further details of the Equity Transfer Agreement, please refer to the Letter from the Board.

5.1 Evaluation on the basis of the consideration of the Equity Transfer Agreement

We have attempted to assess the fairness and reasonableness of the Consideration from the perspective of the price to earnings comparable ratio (“**P/E Ratio**”), price to earnings before interest, taxes, depreciation and amortization (“**P/EBITDA Ratio**”) and price to book comparable ratio (“**P/B Ratio**”). Given that the Guangdong Yinwei is currently engaged in (i) provision of genetic extracting, sequencing and analysis services; and (ii) licensing service in relation to the research results and technology, we have attempted to identify comparable companies which (i) are listed on the Stock Exchange; (ii) generate at least 80% of total revenue from the provision of genetic, medical and clinical testing and analysis services or production and sales of IVD products in the latest financial year; and (iii) have not suspended the trading of its shares as at the date of the Equity Transfer Agreement (i.e. 29 July 2024) (the “**Agreement Date**”). We have identified eight comparable companies (the “**Industry Comparables**”) in the table below, which is an exhaustive list of comparable companies we were able to identify from the Stock Exchange’s website satisfying the above selection criteria.

We acknowledge that no single Industry Comparable has identical business model, operation scale, products/services mix, prospects, profitability, length of track record and capital structure as Guangdong Yinwei and we have not conducted any in-depth investigation into the businesses and operations of the Industry Comparables save for the abovementioned selection criteria. We are of the view that the Industry Comparables we selected based on the relevant selection criteria is appropriate to serve as a reference for our analysis.

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Company Name (stock code)	Principal business	P/E Ratio ¹	P/EBITDA Ratio ²	P/B Ratio ³
IVD Medical Holding Limited (1931)	(i) research, development, manufacturing and sales of its self-branded IVD products; and (ii) provision of after-sales services	5.75	3.44	0.41
Yunkang Group Limited (2325)	provision of diagnostic testing services	N/A ⁴	204.22 ¹⁰	2.42
Mega Genomics Limited (6667)	provision of a broad spectrum of genetic testing services	69.79	39.99	3.25
China Biotech Services Holdings Limited (8037)	(i) provision of medical laboratory testing services and health check services; (ii) provision of tumor immune cell therapy and health management services; (iii) sale and distribution of health related and pharmaceutical products; and (iv) provision of insurance brokerage services	N/A ⁴	N/A ⁵	0.80
Biosino Bio-Technology and Science Incorporation (8247)	manufacture, sale and distribution of IVD reagents	N/A ⁴	3.84	0.17
Huakang Biomedical Holdings Company Limited (8622)	research and development, manufacturing and sales of a wide range of biological reagents	N/A ⁴	N/A ⁵	1.16
Adicon Holdings Limited (9860)	(i) provision of medical testing services; and (ii) trade of medical testing equipment	27.64	10.76	3.80
Kindstar Globalgene Technology, Inc. (9960)	provision of clinical testing services	29.63	9.68	0.43
All Industry Comparables				
	Maximum	69.79	204.22	3.80
	Minimum	5.75	3.44	0.17
	Median	28.64	10.22	0.98
	Average	33.20	45.32	1.56
All Industry Comparables (excluding the Outlier (as defined below))				
	Maximum	69.79	39.99	3.80
	Minimum	5.75	3.44	0.17
	Median	28.64	9.68	0.98
	Average	33.20	13.54	1.56
Guangdong Yinwei (based on the Consideration)		14.49 ⁶	12.07 ⁷	1.03 ⁸
Guangdong Yinwei (based on the Adjusted NAV (as defined below))				1.17 ⁹

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Notes:

1. The P/E Ratio is calculated based on the respective closing price of the shares of the comparable companies on the Stock Exchange as at the respective date of agreement and their respective net profit for the latest financial year as extracted from their published financial information.
2. The P/EBITDA Ratio is calculated based on the respective closing price of the shares of the comparable companies on the Stock Exchange as at the respective date of agreement and their respective earnings before interest, taxes, depreciation and amortization as extracted from their published financial information.
3. The P/B Ratio is calculated based on the respective closing price of the shares of the comparable companies on the Stock Exchange as at the respective date of agreement and their respective net asset value as extracted from their published financial information.
4. These comparable companies were loss making during their latest financial year.
5. These comparable companies recorded loss before interest, taxes, depreciation and amortization during their latest financial year.
6. The implied P/E Ratio of Guangdong Yinwei is calculated based on the implied value of Guangdong Yinwei (being the Consideration divided by 19.46% equity interest in Guangdong Yinwei to be acquired by Zhongke Xunda) (the “**Implied Value**”) and the net profit of Guangdong Yinwei for FY2023.
7. The implied P/EBITDA Ratio of Guangdong Yinwei is calculated based on the Implied Value and the earnings before interest, taxes, depreciation and amortization of Guangdong Yinwei for FY2023.
8. The implied P/B Ratio of Guangdong Yinwei is calculated based on the Implied Value and the 2023 Implied NAV.
9. The adjusted P/B Ratio of Guangdong Yinwei is calculated based on the Implied Value and the adjusted net asset value of Guangdong Yinwei (the “**Adjusted NAV**”) of approximately RMB47.4 million, assuming (i) the net asset value of Guangdong Yinwei dropped to approximately RMB20.0 million, being the threshold of triggering the adjustment mechanism to the final instalment of the Consideration; and (ii) the outstanding registered capital of approximately RMB27.4 million has been fully paid up.
10. P/EBITDA Ratio of Yunkang Group Limited is considered as an outlier (the “**Outlier**”) as its P/EBITDA Ratio was over 200x.

As shown in the above table, among the eight Industry Comparables, four of them were loss making during their latest financial year. The implied P/E Ratio of Guangdong Yinwei was approximately 14.49x which is within the range of the P/E Ratio of the Industry Comparables and lower than both the average and median P/E Ratios of the Industry Comparables.

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As for P/EBITDA Ratio, two out of eight Industry Comparables recorded loss before interest, taxes, depreciation and amortization during their latest financial year. Although the implied P/EBITDA Ratio of Guangdong Yinwei of approximately 12.07x is higher than the median P/EBITDA Ratio of the Industry Comparables, it is within the range of the P/EBITDA Ratio of the Industry Comparables and lower than average P/EBITDA Ratio of the Industry Comparables. We further noted that the implied P/EBITDA Ratio of Guangdong Yinwei is lower than the average (i.e. 13.54x) and within the range of P/EBITDA Ratio of the Industry Comparables excluding the Outlier, even though the implied P/EBITDA Ratio of Guangdong Yinwei is higher than the relevant median P/EBITDA.

As for P/B Ratio, the implied P/B Ratio of Guangdong Yinwei is approximately 1.03x. Although the implied P/B Ratio of Guangdong Yinwei is slightly higher than the median P/B Ratio of the Industry Comparables, it is within the range of the P/B Ratio of the Industry Comparables and lower than the average P/B Ratio of the Industry Comparables.

Pursuant to the Equity Transfer Agreement, the Consideration shall be subject to adjustment if, the net asset value of Guangdong Yinwei as at 30 June 2024, as reported under the HKFRS Report, is less than RMB20.0 million. Thus, we have also calculated the adjusted P/B Ratio of Guangdong Yinwei by assuming the net asset value of Guangdong Yinwei dropped to approximately RMB20.0 million. The adjusted P/B Ratio based on the Adjusted NAV is approximately 1.17x which is higher than the median P/B Ratio of the Industry Comparables but within the range of the P/B Ratio of the Industry Comparables and lower than average P/B Ratio of the Industry Comparables.

Taking into account that (i) each of the implied P/E Ratio, implied P/EBITDA Ratio and implied P/B Ratio of Guangdong Yinwei is lower than their respective average of the Industry Comparables; (ii) the adjusted P/B Ratio based on the Adjusted NAV is lower than the average P/B Ratio of the Industry Comparables; (iii) the implied P/EBITDA Ratio of Guangdong Yinwei is lower than the average P/EBITDA Ratio of the Industry Comparables even the Outlier is excluded; and (iv) the adjustment mechanism provides a safeguard to the Company to adjust downward the Consideration to the extent that the net asset value of Guangdong Yinwei as at 30 June 2024 as reported under the HKFRS Report falls to RMB20.0 million, we are of the opinion that the determination of the Consideration (including the adjustment mechanism under the Equity Transfer Agreement) is fair and reasonable.

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5.2 Evaluation of the terms of the Convertible Bonds and the Conversion Price

Issuer:

The Company

Principal amount:

Maximum of HK\$11,664,000

Maturity date:

The sixth anniversary of the date of issue of the Convertible Bonds (the “**Maturity Date**”)

Interest:

1% per annum on the outstanding principal amount of the Convertible Bonds, payable in arrears on the Maturity Date.

Conversion Price:

HK\$0.10 per Conversion Share (or HK\$1.0 per Conversion Share upon the Share Consolidation becoming effective), subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds, which represents:

- (i) a premium of approximately 66.67% over the closing price of HK\$0.0600 per Existing Share as quoted on the Stock Exchange on the Agreement Date;
- (ii) a premium of approximately 67.79% over the average closing price of HK\$0.0596 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Agreement Date;
- (iii) a premium of approximately 68.35% over the average closing price of HK\$0.0594 per Existing Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Agreement Date;
- (iv) a premium of approximately 163.16% over the closing price of HK\$0.0380 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;

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- (v) a discount of approximately 29.27% to the audited consolidated net asset value per Existing Share attributable to the Shareholders (“**NAV per Existing Share**”) as at 31 December 2023 of approximately HK\$0.1414 (based on the audited consolidated statement of the financial position of the Company as at 31 December 2023 and the number of Shares in issue as at the Agreement Date); and
- (vi) a discount of approximately 28.51% to the unaudited NAV per Existing Share as at 30 June 2024 of approximately HK\$0.1399 (based on the unaudited consolidated statement of the financial position of the Company as at 30 June 2024 and the number of Shares in issue as at the Agreement Date).

Conversion Shares:

Assuming the Conversion Rights are exercised in full at the initial Conversion Price, the maximum of 116,640,000 Conversion Shares (or 11,664,000 Conversion Shares upon the Share Consolidation becoming effective) will be issued.

For further details of the terms of the Convertible Bonds, please refer to the Letter from the Board.

According to the Letter from the Board, the Board intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every ten (10) issued and unissued Existing Shares of HK\$0.1 each into one (1) Consolidated Share of HK\$1.0 each. Upon the Share Consolidation become effective, pursuant to the terms and conditions of the Convertible Bonds, the conversion price will be adjusted to HK\$1.00 per Conversion Share. All of our analysis of the conversion price of the Convertible Bonds are based on the original conversion price (i.e. HK\$0.10 per Conversion Share).

5.2.1 Comparable analysis

In order to assess the fairness and reasonableness of the major terms of the Convertible Bonds under the recent market conditions, we have conducted a comparable analysis through identifying companies listed on the Stock Exchange which (i) have announced issuing/placing/altering the conversion price of convertible bonds/notes under specific mandate; (ii) the relevant announcement was made from 1 July 2023 to the Agreement Date; (iii) the relevant transaction has not been terminated; and (iv) the trading of the shares has not be suspended more than one month prior to the relevant announcement.

Based on the above criteria, we have, to the best of our effort by searching through published information on the Stock Exchange's website, identified an exhaustive list of 13 transactions (the "**CB Comparable Transactions**"). We consider that these CB Comparable Transactions allow the Shareholders to have a general understanding on the convertible bond transactions being conducted by the listed issuers in Hong Kong. Although the business, operation and prospect of the Company are not same as the listed issuers of the CB Comparable Transactions, we consider that these CB Comparable Transactions are suitable reference for assessing the fairness and reasonableness of the key terms of the Convertible Bonds. The following table sets forth the relevant details of the CB Comparable Transactions.

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Date of the announcement	Stock code	Company name	Premium/(discount) of conversion price over/to			Interest rate per annum	Maturity (year)
			the closing price on the last trading day prior to/on the date of the respective announcement/ agreement (the “LTD Price”)	the average closing price of five trading days prior to/ including the date of the respective announcement/ agreement (the “5-days Average”)	the average closing price of ten trading days prior to/ including the date of the respective announcement/ agreement (the “10-days Average”)		
			(%)	(%)	(%)	(%)	(year)
2023:							
14 July	8163	NOIZ Group Limited	21.35	20.00	14.89	–	2
27 July	399	Innovative Pharmaceutical Biotech Limited	–	4.66	5.08	–	10
29 August	381	Kiu Hung International Holdings Limited	32.74	31.58	31.58	4.0	5
11 September	704	Huscoke Holdings Limited	(0.56)	–	(1.12)	8.0	2
16 October	959	Century Entertainment International Holdings Limited	13.27	8.47	2.81	–	3
12 November	2772	Zhongliang Holdings Group Company Limited	163.74 ¹	170.27 ¹	167.26 ¹	3.0	4
16 November	310	Prosperity Investment Holdings Limited	10.67	10.67	9.21	8.0	2
2024:							
2 January	8613	Oriental Payment Group Holdings Limited	–	4.00	2.30	12.0	4.5
3 January	8370	Zhi Sheng Group Holdings Limited	45.32	45.32	44.70	–	2
23 January	616	Eminence Enterprise Limited	(4.76)	(5.76)	(10.58)	5.0	5
26 January	1039	Changyou Alliance Group Limited	342.00 ¹	308.00 ¹	272.00 ¹	8.0	3
30 April	1168	Sinolink Worldwide Holdings Limited	–	10.10	8.42	–	3
29 May	992	Lenovo Group Limited	(13.46)	(6.96)	(2.80)	–	3
All CB Comparable Transactions							
		Maximum	342.00	308.00	272.00	12.0	10
		Minimum	(13.46)	(6.96)	(10.58)	–	2
		Median	10.67	10.10	8.42	3.0	3
		Average	46.95	46.18	41.83	3.69	3.73
All CB Comparable Transactions (excluding the CB Comparable Outliers (as defined below))							
		Maximum	45.32	45.32	44.70	12.0	10
		Minimum	(13.46)	(6.96)	(10.58)	–	2
		Median	–	8.47	5.08	3.0	3
		Average	9.51	11.10	9.50	3.69	3.73
		Convertible Bonds	66.67	67.79	68.35	1.00	6

Source: the website of the Stock Exchange (www.hkex.com.hk)

Note:

- As the premium of conversion price of Zhongliang Holdings Group Company Limited (Stock Code: 2772) and Changyou Alliance Group Limited (Stock Code: 1039) are over 200%, they are considered as outliers (the “**CB Comparable Outliers**”) for further analysis.

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(i) Conversion price

The conversion price of the CB Comparable Transactions, as compared to the LTD Price, ranged from a discount of approximately 13.46% to a premium of approximately 342.00% with an average premium of 46.95% and a median premium of 10.67%. The Conversion Price of HK\$0.1 per Conversion Share therefore represented a premium of approximately 66.67% over the LTD Price which falls within the range of the premium/discount of the LTD Price of the CB Comparable Transactions and is higher than both the average and median premium of the CB Comparable Transactions.

The conversion price of the CB Comparable Transactions, as compared to the 5-days Average, ranged from a discount of approximately 6.96% to a premium of approximately 308.00% with an average premium of 46.18% and a median premium of 10.10%. The Conversion Price of HK\$0.1 per Conversion Share therefore represented a premium of approximately 67.79% over the 5-days Average of the Shares which falls within the range of the premium/discount of the 5-days Average of the CB Comparable Transactions and is higher than both the average and median premium of the CB Comparable Transactions.

The conversion price of the CB Comparable Transactions, as compared to the 10-days Average, ranged from a discount of approximately 10.58% to a premium of approximately 272.00% with an average premium of 41.83% and a median premium of 8.42%. The Conversion Price of HK\$0.1 per Conversion Share therefore represented a premium of approximately 68.35% to the 10-days Average of the Shares which falls within the range of the premium/discount of the 10-days Average of the CB Comparable Transactions and is higher than both the average and median premium of the CB Comparable Transactions.

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As the conversion price of the CB Comparable Outliers have extremely high premium to their closing price of the relevant period, if they are excluded from our analysis, we noted that the premium of the Conversion Price exceeds the high end of the range of the CB Comparable Transactions excluding the CB Comparable Outliers.

The Conversion Price of HK\$0.1 per Conversion Share represents a discount of approximately 29.27% and 28.51% to the audited NAV per Existing Share as at 31 December 2023 and to the unaudited NAV per Existing Share as at 30 June 2024, respectively. We noted that the closing prices of the Shares during the period from 28 July 2023, being the date which is 12 months immediately prior to the Agreement Date, to the Latest Practicable Date (the “**Review Period**”) ranged from HK\$0.038 to HK\$0.141. The Shares have been trading below the audited NAV per Existing Share as at 31 December 2023 and unaudited NAV per Existing Share as at 30 June 2024 throughout the Review Period. It is not commercially sound to make reference to the NAV per Existing Share in determining Conversion Price. We consider that it is fair to determine the Conversion Price with reference to the prevailing trading price of the Shares.

(ii) Coupon interest rate

The coupon interest rates of the CB Comparable Transactions ranged from nil to 12.00%. The Convertible Bonds carries coupon interest rate of 1% per annum which is lower than all seven interest-bearing convertible bonds of the CB Comparable Transactions. The low coupon interests of the Convertible Bonds together with the fact that the settlement of coupon interest is in arrears on the Maturity Date, therefore create less interest burden and corresponding cash outflow to the Group as compared to the CB Comparable Transactions.

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(iii) Maturity

The maturity of the CB Comparable Transactions ranges from 2 years to 10 years. The Convertible Bonds have 6 years of maturity, which is longer than the average maturity of the CB Comparable Transactions. Such longer maturity of the Convertible Bonds avails the Company with more time to generate or secure sufficient funding to make full/partial redemption of the Convertible Bonds at any time prior to the Maturity Date.

Having considered that,

- (i) the premium of Conversion Price over the LTD Price, the 5-days Average, the 10-days Average are higher than that of the average premium of the CB Comparable Transactions and exceed the high end of the range of the CB Comparable Transactions excluding the CB Comparable Outliers;
- (ii) the interest rate of the Convertible Bonds is much lower than the all seven interest-bearing convertible bonds of the CB Comparable Transactions; and
- (iii) the 6 years' maturity of the Convertible Bonds provides a longer period for the Group to realise its development plan and accumulate sufficient internal resources for the full/partial redemption of Convertible Bonds;

we are of the view that the major terms of the Convertible Bonds are fair and reasonable as far as the Independent Shareholders are concerned.

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6. Possible dilution effect

As disclosed in the Letter from the Board, the table below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Share Consolidation; (iii) immediately upon completion of the Share Consolidation and the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds I in full only; (iv) immediately upon completion of the Share Consolidation and the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds in full; and (v) immediately upon completion of the Share Consolidation, the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds in full, and the allotment and issue of new Shares upon the conversion of the outstanding convertible bonds of the Company in full:

	As at the Latest Practicable Date		Immediately upon completion of Share Consolidation		Immediately upon completion of (i) the Share Consolidation; and (ii) the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds I in full		Immediately upon completion of (i) the Share Consolidation; and (ii) the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds in full		Immediately upon completion of (i) the Share Consolidation; (ii) the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds in full; and (iii) the allotment and issue of new Shares upon the conversion of the outstanding convertible bonds of the Company in full	
	Number of Shares held	%	Number of Shares held	%	Number of Shares held	%	Number of Shares held	%	Number of Shares held	%
Hong Kong Gaoqi Biological Technology Company Limited (“HK Gaoqi”) ¹	220,475,000	23.33	22,047,500	23.33	22,047,500	21.94	22,047,500	20.77	22,047,500	18.29
Nanyue AM ²	-	-	-	-	6,000,000	5.97	11,664,000	10.99	11,664,000	9.67
Nanyue CB ³	-	-	-	-	-	-	-	-	14,412,698	11.95
Subtotal	220,475,000	23.33	22,047,500	23.33	28,047,500	27.91	33,711,500	31.76	48,124,198	39.91
Mr. Ou Yafei	147,864,000	15.65	14,786,400	15.65	14,786,400	14.71	14,786,400	13.93	14,786,400	12.26
Public Shareholders	576,661,000	61.02	57,666,100	61.02	57,666,100	57.38	57,666,100	54.31	57,666,100	47.83
Total	945,000,000	100.00	94,500,000	100.00	100,500,000	100.00	106,164,000	100.00	120,576,698	100.00

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Mr. Xu, the chairman of the Company and an executive Director, is the director of HK Gaoqi, which holds 23.33% Existing Shares as at the Latest Practicable Date, and the director of Houpi Bio-Technology Limited (“**HBT Limited**”), which holds 9.78% of equity interests in HK Gaoqi. Mr. Xu is interested in HK Gaoqi through his 25.55% direct beneficial interest and 9.78% through HBT Limited. HBT Limited, a company incorporated in the British Virgin Islands, has two classes of shares, namely class A and class B, in which shareholders of class A and class B have 30 votes and 1 vote per share in the shareholders’ meeting respectively, and Mr. Xu holds 94.07% class A interests in HBT Limited and Ms. Qiu Qi, the spouse of Mr. Xu, holds 5.93% class A interests and 10.74% class B interests in HBT Limited. By virtue of the SFO, Mr. Xu is taken to be interested in all the shares held by Ms. Qiu Qi, hence Mr. Xu collectively controls 86.78% of the total voting rights of HBT Limited, and in turn is interested in 9.78% of HK Gaoqi.
2. This is for illustration purpose only. According to the terms of the Convertible Bonds, a bondholder shall not exercise any Conversion Rights, and the Company shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the Conversion Rights, the bondholder and/or parties acting in concert with it would be required to make a mandatory general offer under Rule 26 of the Takeovers Code for the Shares held by other Shareholders.
3. As at the Latest Practicable Date, convertible bonds of HK\$18,160,000 have been issued by the Company to Nanyue CB. 144,126,984 Existing Shares will be issued and allotted upon exercise of the conversion rights attaching to the convertible bonds at the initial conversion price of HK\$0.126 per conversion share in full. For details of possible adjustment to the outstanding convertible bonds of the Company, please refer to the Letter from the Board.
4. The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.

As shown in the shareholding table above, assuming that there will be no other change in the share capital of the Company other than the Share Consolidation and the issue of the Conversion Shares under the Convertible Bonds I, the shareholding of existing public Shareholders in the Company will be reduced from approximately 61.02% as at the Latest Practicable Date to approximately 57.38% immediately upon the completion of the Share Consolidation and the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds I in full only. The dilution effect on the public shareholding of the Company is approximately 3.64%.

Assuming that there will be no other change in the share capital of the Company other than the Share Consolidation and the issue of the Conversion Shares under the Convertible Bonds, the shareholding of existing public Shareholders in the Company will be reduced from approximately 61.02% as at the Latest Practicable Date to approximately 54.31% immediately upon the completion of the Share Consolidation and the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds in full. The dilution effect on the public shareholding of the Company is approximately 6.71%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Although there will be dilutive effect to the shareholding interests of the public Shareholders as a result of the Acquisition, having considered (i) the reasons for and benefits of the Acquisition as discussed above; (ii) the terms of the Convertible Bonds are considered fair and reasonable; and (iii) the issue of Convertible Bonds allows the Group to preserve the existing cash level for financing the Group's other projects and general working capital purpose, we are of the view that the level of dilution is acceptable.

7. Financial effect of the Acquisition

Upon the completion of the Acquisition, 19.46% equity interest of Guangdong Yinwei is to be owned by the Company. The financial effect of the Acquisition as discussed below is based on the assumption that the Group has significant influence over the financial and operation policies of Guangdong Yinwei and is in accordance with the accounting policy of the Group.

Net asset value

The investment cost made by the Company in relation to Guangdong Yinwei (subject to the final amount of the Consideration) will be recognized as an investment in an associate using the equity method on the assumption that the Group has significant influence over the financial and operation policies of Guangdong Yinwei according to the accounting policy of the Group. Upon the issuance of the Convertible Bonds, the total liability of the Group will be increased due to the recognition of the liability component of the Convertible Bonds.

Earnings

During each financial year, the financial results of Guangdong Yinwei will be recognised as share of results of associates of the Company. The Group will assess whether there are any indicators of impairment on the Group's interest in the associate at the year end. After the issuance of the Convertible Bonds, the Company's finance cost will be increased due to the 1% annual interest rate on the outstanding principal of the Convertible Bonds.

Working Capital

As the Consideration shall be satisfied by way of issue of the Convertible Bonds except for the transaction expenses in relation to the Acquisition, there will be no cashflow impact of the Group. Thus, the Acquisition will not have material adverse effect on the working capital of the Group.

It should be noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial results and the financial position of the Group will be upon the completion of the Acquisition.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we considered that, although entering into the Equity Transfer Agreement is not in the ordinary and usual course of business of the Group because of its “one-off” nature, the terms of the Equity Transfer Agreement and the Convertible Bonds are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the transactions contemplated under the Equity Transfer Agreement and the Convertible Bonds are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Equity Transfer Agreement, the Convertible Bonds and the transactions contemplated thereunder, and the proposed grant of the Specific Mandate.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung	Wong Wai Leung
<i>Managing Director</i>	<i>Executive Director</i>

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions of listed companies in Hong Kong subject to the compliance to the Listing Rules and the Takeovers Code. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer Type 9 (asset management) regulated activities. Mr. Wong has accumulated decades of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code.

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 Company. 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. SHARE CAPITAL***As at the Latest Practicable Date***

Authorised: HK\$

<u>10,000,000,000</u>	Existing Shares of HK\$0.1 each	<u>1,000,000,000</u>
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Issued and fully paid or credited as fully paid: HK\$

<u>945,000,000</u>	Existing Shares of HK\$0.1 each	<u>94,500,000</u>
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As at the effective date of the Share Consolidation

Authorised: HK\$

<u>1,000,000,000</u>	Consolidated Shares of HK\$1.0 each	<u>1,000,000,000</u>
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Issued and fully paid or credited as fully paid:

<u>94,500,000</u>	Consolidated Shares of HK\$1.0 each	<u>94,500,000</u>
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Immediately upon the allotment and issue of the Conversion Shares (assuming there will be no changes in the share capital of the Company other than the Share Consolidation becoming effective and the issue of the Conversion Shares)

Authorised: HK\$

<u>1,000,000,000</u>	Consolidated Shares of HK\$1.0 each	<u>1,000,000,000</u>
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Issued and fully paid or credited as fully paid: HK\$

94,500,000	Consolidated Shares of HK\$1.0 each	94,500,000
<u>11,664,000</u>	Number of Conversion Shares to be issued	<u>11,664,000</u>
 <u>106,164,000</u>		 <u>106,164,000</u>

All the issued Shares rank *pari passu* with each other in all respects including the rights in respect of capital, dividends and voting.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. The Conversion Shares to be allotted and issued shall rank *pari passu* among themselves and with all the Shares in issue as at the date of such issue.

Subject to the granting of the approval of listing of, and permission to deal in, the Conversion Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Conversion 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 Conversion Shares on the Stock Exchange or, under contingent situation, 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 settlement day thereafter.

As at the Latest Practicable Date, save for the 18,532,000 Share Options granted under the Share Option Scheme and the outstanding convertible bonds in the principal amount of HK\$18,160,000 which may be converted into 144,126,984 Existing Shares in full at the initial conversion price, the Company had no outstanding convertible securities, options or warrants in issue or similar rights which confer any rights to subscribe for, convert or exchange into Shares or any agreement or arrangement in relation thereto other than the Equity Transfer Agreement, particulars of which are disclosed in the letter from the Board contained in this circular.

3. DISCLOSURE OF INTERESTS

a. Director's and chief executive's interests in the shares and underlying shares of the Company

As at the Latest Practicable Date, the interests and short positions held by the Directors or the chief executive of the Company 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) which are 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 position which they are taken or deemed to have taken under such provisions of the SFO), or which were required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name of Shareholder	Capacity	Number of Existing Shares	Approximate percentage
			of total issued share capital
Mr. Xu (<i>Chairman and executive Director</i>)	Interests of controlled corporation (<i>Note 2</i>)	364,601,984	38.58%

Notes:

- All interests disclosed above represent long positions in the Existing Shares.
- Mr. Xu is interested in 220,475,000 Existing Shares through his controlling interests in Hong Kong Gaoqi Biological Technology Company Limited ("HK Gaoqi"). Mr. Xu is interested in HK Gaoqi through his 25.55% direct beneficial interests and 9.78% through Houpi Bio-Technology Limited ("HBT Limited"), a company incorporated in the British Virgin Islands. HBT Limited has two classes of shares, namely class A and class B, in which shareholders of class A and class B have 30 votes and 1 vote per share in the shareholders' meeting respectively, and Mr. Xu holds 94.07% class A interests in HBT Limited and his spouse holds 5.93% class A interests and 10.74% class B interests in HBT Limited, which collectively representing 86.78% of the total voting rights of HBT Limited, and in turn is interested in 9.78% of HK Gaoqi. Ms. Qiu Qi (邱琪) is the spouse of Mr. Xu and by virtue of the SFO, Mr. Xu is taken to be interested in all the shares held by Ms. Qiu Qi. Accordingly, Mr. Xu is deemed to be interested in all the Existing Shares held by HK Gaoqi by virtue of SFO.

As at the Latest Practicable Date, convertible bonds of HK\$18,160,000 have been issued by the Company to Nanyue CB. 144,126,984 Existing Shares will be issued and allotted upon exercise of the conversion rights attaching to the convertible bonds at the initial conversion price of HK\$0.126 per conversion share in full. Nanyue CB is ultimately owned as to approximately 71.25% by Mr. Xu and his associates. Accordingly, Mr. Xu is deemed to be interested in the convertible bonds held by Nanyue CB by virtue of SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be 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 position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

b. Substantial shareholders' and other persons' interests in the shares and underlying shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following Shareholders other than a Director or chief executive of the Company had an interest or short position in the shares and underlying shares of the Company, (a) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, (b) who was, directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group or had any options in respect of such securities.

Name of Shareholder	Capacity	Approximate percentage	
		Number of Existing Shares held	of total issued share capital
HK Gaoqi	Beneficial owner (<i>Note 2</i>)	220,475,000	23.33%
Ms. Qiu Qi	Interests of controlled corporation (<i>Note 3</i>)	220,475,000	23.33%
Mr. Ou Yafei	Beneficial owner (<i>Note 5</i>)	155,280,000	16.43%
Nanyue CB	Beneficial owner (<i>Note 4</i>)	144,126,984	15.25%

Notes:

1. All interests disclosed above represent long positions in the Existing Shares.
2. Mr. Xu is the director of HK Gaoqi, which holds 23.33% Existing Shares, and the director of HBT Limited, which holds 9.78% of equity interests in HK Gaoqi. Mr. Xu is interested in HK Gaoqi through his 25.55% direct beneficial interests and 9.78% through HBT Limited. HBT Limited has two classes of shares, namely class A and class B, in which shareholders of class A and class B have 30 votes and 1 vote per share in the shareholders' meeting respectively, and Mr. Xu holds 94.07% class A interests in HBT Limited and his spouse holds 5.93% class A interests and 10.74% class B interests in HBT Limited, which collectively representing 86.78% of the total voting rights of the HBT Limited, and in turn is interested in 9.78% of HK Gaoqi.
3. By virtue of the SFO, Ms. Qiu Qi, the spouse of Mr. Xu, is taken to be interested in all the Shares held by Mr. Xu.
4. As at the Latest Practicable Date, convertible bonds of HK\$18,160,000 have been issued by the Company to Nanyue CB. 144,126,984 Existing Shares will be issued and allotted upon exercise of the conversion rights attaching to the convertible bonds at the initial conversion price of HK\$0.126 per conversion share in full. Nanyue CB is ultimately owned as to approximately 71.25% by Mr. Xu and his associates. Accordingly, Mr. Xu is deemed to be interested in the convertible bonds held by Nanyue CB by virtue of SFO.
5. Mr. Ou Yafei is the beneficial owner of 147,864,000 Shares and 7,416,000 Share Options.

Save as disclosed above, as far as the Directors are aware, no other person had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by the Group within one year without compensation (other than statutory compensation).

5. COMPETING INTERESTS

The interests of the Directors in competing businesses that were required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules as informed by the relevant Director are as follows:

The Group through (i) Guangdong Zhenyuan, a non-wholly owned subsidiary of the Company, engages in investment activities and corporate management consultation; and (ii) Zhongke Zhenhui, a non-wholly owned subsidiary of the Company, engages in technical development and consultation services, investment activities and business management consultation. The businesses of Nanyue AM are mainly engaged in asset management, investment management, equity investment and investment consulting services through its private equity funds. Mr. Xu is a director of Nanyue AM and, together with his associates, ultimately owned as to approximately 71.25% equity interests of Nanyue AM, therefore, Mr. Xu may be regarded as being interested in the competing business with the business of the Group.

As the Company's management and administrative structure are independent to that of Nanyue AM, and coupled with the diligence of the independent non-executive Directors and the audit committee of the Company, the Group is capable of carrying its businesses independently on an arm's length basis.

6. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors (i) had any interest in any assets which have been, since 31 December 2023 (being the date up to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group and (ii) was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting and significant in relation to the business of the Group.

7. 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 2023, being the date to which the latest published audited accounts of the Company were made up.

8. EXPERTS AND CONSENTS

The following is the qualifications of the expert who has given opinion, letter or advice contained in this circular:

Name	Qualifications
Octal Capital	A corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Octal Capital did not have any interest in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been since the date to which the latest published audited financial statements of the Group were made up (i.e. 31 December 2023), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by any member of the Group.

Octal Capital had given and had not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter of advice and references to its name and/or its advice in the form and context in which they are included.

9. DOCUMENTS ON DISPLAY

Copies of the following documents are available on the website of the Company (www.sinolifegroup.com) and on the website of the Stock Exchange from the date of this circular up to and including the date of EGM:

- (a) the Equity Transfer Agreement;
- (b) the letter from the Independent Financial Adviser as set out in this circular; and
- (c) the written consent from the Independent Financial Adviser referred to in the paragraph headed “8. Experts and consents” in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



SINO-LIFE GROUP LIMITED

中國生命集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8296)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Sino-Life Group Limited (the “**Company**”) will be held at 3:00 p.m. on Wednesday, 9 October 2024 at Portion 2, 12/F., The Center, 99 Queen’s Road Central, Central, Hong Kong for considering and if thought fit, to approve the following resolutions, with or without amendments, as ordinary resolutions of the Company. Capitalised terms used herein without definition have the same meanings as in the circular issued by the Company on 16 September 2024 (the “**Circular**”), unless the context otherwise requires:

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon (i) the compliance with all relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and the Listing Rules to effect the Share Consolidation (as defined below), and (ii) the Listing Committee of the Stock Exchange (as defined below) granting the listing of, and permission to deal in, the Consolidated Shares (as defined below) arising from the Share Consolidation, with effect from the second business day immediately following the day of passing of this resolution, being a day on which the shares of the Company are traded on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”):
 - a. every ten (10) issued and unissued Existing Shares of par value HK\$0.1 each into one (1) consolidated share of par value of HK\$1.0 each (the “**Consolidated Share(s)**”), and such Consolidated Shares shall rank *pari passu* in all respects with each other in accordance with the Company’s articles of association (the “**Share Consolidation**”);
 - b. all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors (the “**Directors**”) of the Company may think fit; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- c. any one of the Directors be and is hereby authorised generally to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such documents, including under seal where applicable, as they consider necessary, desirable or expedient to give effect to the foregoing arrangement for the Share Consolidation.”

2. **“THAT:**

- a. subject to the fulfillment of the terms and conditions set out in the Equity Transfer Agreement, a copy of which has been produced to the EGM and initialled by the chairman of the Meeting (the “**Chairman**”) for identification purpose, entered into between the Company and Nanyue AM to acquire from Nanyue AM the paid-up capital of Guangdong Yinwei contributed by Nanyue AM, which is equivalent to approximately 19.46% of the equity interest in Guangdong Yinwei at the maximum consideration of RMB10.8 million (equivalent to approximately HK\$11.664 million) shall be satisfied by way of issue of the Convertible Bonds to Nanyue AM or its nominee(s), is hereby approved;
- b. the issue of the Convertible Bonds by the Company to Nanyue AM or its nominee(s) to settle the consideration payable by the Company under the Equity Transfer Agreement in accordance with the terms and conditions of the Equity Transfer Agreement and all transactions contemplated be and is hereby approved;
- c. the allotment and issue of a maximum number of 11,664,000 Consolidated Shares (the “**Conversion Share(s)**”) in the share capital of the Company at the initial conversion price of HK\$0.10 per Conversion Share which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds to the relevant holder(s) of the Convertible Bonds be and are hereby approved;
- d. subject to The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Conversion Shares to be allotted and issued, the Directors be and are hereby granted a specific mandate (the “**Specific Mandate**”) to allot and issue a maximum number of Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds pursuant to the Equity Transfer Agreement (i.e. 11,664,000 Consolidated Shares). The Specific Mandate is in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to passing of this resolution; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- e. any of the Director be and is hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents, instruments and agreements (whether under common seal or not) and to take all steps and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Equity Transfer Agreement and the transactions contemplated thereunder as he/she may in his/her absolute discretion consider necessary, desirable or expedient to give effect to the Equity Transfer Agreement and the implementation of all transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

By order of the Board
Sino-Life Group Limited
XU Jianchun
Chairman and Executive Director

Hong Kong, 16 September 2024

Registered office:

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Oleander Way 802 West Bay Road
P.O. Box 32052
Grand Cayman KY1-1208
Cayman Islands

Registered office in Hong Kong:

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77 Wing Lok Street
Sheung Wan, Hong Kong