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## SoftMedx Healthcare Limited

京玖醫療健康有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 648)**

- (1) LOAN CONVERSION INTO NEW SHARES UNDER SPECIFIC MANDATE;  
(2) APPLICATION OF WHITEWASH WAIVER;  
(3) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER;  
AND  
(4) CONTINUAL SUSPENSION OF TRADING OF SHARES**

**Financial Adviser to the Company**



**Independent Financial Adviser to  
Independent Board Committee**



## **RESTRUCTURING AGREEMENT**

On 3 November 2023 (after trading hours), the Company and the Investor entered into the Restructuring Agreement, pursuant to which the Company has conditionally agreed to allot and issue to the Investor the First Conversion Shares under the First Loan Conversion and the Second Conversion Shares under the Second Loan Conversion. As at the date of this announcement, the Company had 326,036,828 Shares in issue. The 800,000,000 First Conversion Shares and the 1,000,000,000 Second Conversion Shares in aggregate represent (i) 552.1% of the total number of Shares in issue as at the date of this announcement; and (ii) 84.7% of the total number of Shares in issue as enlarged by the allotment and issue of the Conversion Shares. The gross and net proceeds from the First Loan and the Second Loan will amount to HK\$18 million and HK\$17 million respectively. The proceeds from the Second Loan shall be applied to the Scheme Settlement Consideration.

## **IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER**

As at the date of this announcement, neither the Investor and Mr. Huang nor any party acting in concert with any of them hold or are interested in any share or securities of the Company. Immediately upon completion of the Loan Conversions, the Investor, Mr. Huang and parties acting in concert with any of them will hold 1,800,000,000 Shares, representing 84.7% of the total number of Shares in issue as enlarged by the allotment and issue of the Conversion Shares. Under Rule 26.1 of the Takeovers Code, the Investor is obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Investor and parties acting in concert with any of the Investor and Mr. Huang unless the Whitewash Waiver is granted by the Executive. An application will be made by the Investor to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Conversion Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by at least 75% votes by the Independent Shareholders present and voting (either in person or proxy) in respect of the Whitewash Waiver and more than 50% votes of the Independent Shareholders present and voting (either in person or proxy) in respect of the Loan Conversions (including the Specific Mandate) at the EGM by way of poll. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Loan Conversions will still proceed. In such event, the Investor, Mr. Huang and parties acting in concert with any of them will comply with Rule 26.1 of the Takeovers Code and make an unconditional mandatory cash offer to acquire all the issued Shares (other than those Shares agreed to be acquired by the Investor, Mr. Huang and parties acting in concert with any of them) and the Company will make further announcements in compliance with the Takeovers Code and the Listing Rules. Under Rule 3.7 of the Takeovers Code, monthly announcements setting out the progress of the Loan Conversions will continue to be made until an announcement of a firm intention of the Investor to make an offer under Rule 3.5 of the Takeovers Code or of a decision of the Investor not to proceed with an offer is made.

Save for entering into the Restructuring Agreement, none of the Investor, Mr. Huang or parties acting in concert with any of them has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible into any Share during the six-month period prior to the date of the Restructuring Agreement and this announcement.

### **Establishment of Independent Board Committee**

The Independent Board Committee, comprising all the independent non-executive Directors in compliance with Rule 2.8 of the Takeovers Code, has been formed to advise the Independent Shareholders as to whether the terms of the Restructuring Agreement (including the Loan Conversions), the Specific Mandate and the Whitewash Waiver are fair and reasonable and on how to vote at the EGM.

### **Appointment of IFA**

Somerley Capital Limited has been appointed as the IFA with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Restructuring Agreement (including the Loan Conversions), the Specific Mandate and the Whitewash Waiver.

### **IMPLICATIONS UNDER THE LISTING RULES**

The Conversion Price represented a theoretical dilution effect (as defined under the Listing Rules) of 82.7%. Pursuant to Rule 7.27B of the Listing Rules, the Company should not undertake a share subscription that would result in a theoretical dilution effect of 25% or more within a 12-month period. However, the Loan Conversions form part of a critical rescue proposal for the Company given (i) its substantial net liabilities and minimal assets as at 31 December 2022; and (ii) its imminent funding needs. Accordingly, the Company is of the view that there are exceptional circumstances for the Loan Conversions to proceed for purpose of Rule 7.27B of the Listing Rules.

### **EGM**

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Restructuring Agreement (including the Loan Conversions), the Specific Mandate and the Whitewash Waiver. A circular containing (i) a letter of recommendation from the Independent Board Committee to the Independent Shareholders and a letter of advice from the IFA to the Independent Board Committee in relation to the Restructuring Agreement (including the Loan Conversions), the Specific Mandate and the Whitewash Waiver and (ii) a notice of the EGM will be despatched to the Shareholders as soon as practicable in compliance with the requirements of the Listing Rules and the Takeovers Code.

Neither the Investor, Mr. Huang nor the parties acting in concert with any of them hold any Share and no Shareholder is involved in or interested in the Restructuring Agreement (including the Loan Conversions), the Specific Mandate and/or the Whitewash Waiver. Also, there is no Creditor who will receive the Scheme Settlement Consideration is also a Shareholder. Therefore, no Shareholder is required to abstain from voting at the EGM in respect of the resolutions approving the Restructuring Agreement (including the Loan Conversions), the Specific Mandate and the Whitewash Waiver. However, if it is to the reasonable belief of the chairperson of the EGM that there is any vote which is not independent of and/or is related to or under the influence of the Implicated Persons, such vote will not be counted towards the vote at the EGM by the chairperson of the EGM pursuant to the M&A.

## **GENERAL**

Trading in the Shares will continue to be suspended pending fulfilment of the Resumption Conditions. The Company is taking steps to address the concerns of the SFC and the Stock Exchange and will keep the Shareholders and the potential investors posted of any material development in this regard as and when appropriate.

**The release of this announcement is not an indication that (a) Trading Resumption has been or will be approved, or (b) approval for the listing of the Conversion Shares will be granted, or (c) the conditions precedent to the Loan Conversions have been or will be fulfilled, or (d) completion of the Loan Conversions will take place. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and are recommended to consult their professional advisers if they are in doubt about their position and as to the actions that they should take.**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO and Rule 3.5 of the Takeovers Code.

On 3 November 2023 (after trading hours), the Company and the Investor entered into the Restructuring Agreement, pursuant to which the Company has conditionally agreed to allot and issue the Conversion Shares to the Investor.

## **BACKGROUND AND REASONS FOR AND BENEFITS OF THE RESTRUCTURING AGREEMENT**

The background information of the circumstances leading to and the reasons for and benefits of the entering into of the Restructuring Agreement are detailed below:

## **Trading Suspension**

On 27 November 2017, the Company announced that the SFC had issued a direction under section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Cap. 571V) on 24 November 2017 to suspend trading in the Shares with effect from 27 November 2017 because it had appeared to the SFC that the New Ray Acquisition Announcement contained materially false, incomplete or misleading information. Trading in the Shares has remained suspended pending fulfilment of the following Resumption Conditions imposed by the Stock Exchange, which are subject to modification and/or further guidance given by the Stock Exchange:

- (i) obtaining the SFC's approval to the Trading Resumption;
- (ii) publication of all outstanding financial results ("Outstanding Financial Statements") in accordance with the Listing Rules and address any audit modification;
- (iii) demonstrating that the Company has sufficient level of operations and assets of sufficient value in compliance with the requirements of the Listing Rules;
- (iv) re-compliance with the requirements of the Listing Rules to have a minimum of three independent non-executive Directors and three members in its audit committee; and
- (v) announcement of all material information for the Company's shareholders and other investors to appraise the Company's position.

Since Trading Suspension, the Company has been taking active steps to address the concerns of the SFC and the Stock Exchange with a view to achieving Trading Resumption.

## **Overview of the Group's Businesses**

The Group has been engaged in (i) the distribution of medical equipment and products in Hong Kong ("Healthcare Business"); (ii) the provision of obstetric and gynecological services and in-vitro fertilization treatment in Hong Kong ("O&G Business"); (iii) the operation of eyecare and optical retail shops in Hong Kong ("Eyecare Business"); and (iv) the operation of sports and healthcare clubhouses in the PRC ("Health Management Business").

The Company acquired the O&G Business in 2016 from a licensed person-in-charge, who is a renowned doctor in the reproductive medicine and obstetrics and gynecology in Hong Kong. However, the doctor abruptly departed following the Trading Suspension. Given the limited number of persons-in-charge of in-vitro fertilisation treatment services licensed by the Hong Kong Council on Human Reproductive Technology (which maintains a list of only about 30 licenced professionals in Hong Kong), the Company failed to recruit a replacement doctor with necessary qualifications and as a result, the Company had no alternative but closing down the O&G Business in early 2020.

In addition, due to (i) the Trading Suspension which had handicapped the Company's capability to obtain financing from the market to tackle the difficult business environment of the Eyecare Business as a result of the social unrest in the second half of 2019 and the outbreak of the COVID-19 pandemic in Hong Kong in 2020; and (ii) the acts and unwillingness of other shareholders to contribute funding to support the business, the business had become no longer viable since late 2020. In order to protect the interest of its creditors, the board of directors of the subsidiary of the Company engaged in the Eyecare Business filed a winding up petition in March 2021. The Hong Kong Court ordered the winding up of the subsidiary in July 2021.

Also, due to the non-cooperation of the directors and the management of the Health Management Business, the Company and its auditors have been unable to access the books and records of the business. In such circumstances, the Company's auditors advised the Company that as the required audit procedures could not be carried out for the business, the auditors would not be in a position to issue the Outstanding Financial Statements (from 1 January 2017 to 31 December 2022) comprising the Health Management Business within the prescribed timeline given by the Company. The Company was particularly concerned because, as disclosed in the Company's previous announcements, the Stock Exchange's withholding to exercise its right to delist the Company under Rule 6.01A(2)(b)(i) of the Listing Rules is pending further development of the Company's submission to the SFC and the Stock Exchange may exercise its right under Rule 6.01A of the Listing Rules at a later stage when it considers appropriate. If the Resumption Conditions are not fulfilled in a timely manner and the Stock Exchange exercises its right to delist the Company, it would be detrimental to the Company and its shareholders and creditors. On the other hand, given the prolonged loss making and net liabilities position of the Health Management Business, the deconsolidation of the business would have no adverse material impact on the consolidated financial statements of the Group as a whole. Based on the above, the Board is of the view that the deconsolidation would facilitate the Company's fulfillment of one of the major Resumption Conditions in a timely manner and mitigate the risk of the Company being delisted and is therefore in the interest of the Company and its shareholders and creditors as a whole. As such, the Board, after careful consideration, has resolved in January 2023 that the results, assets and liabilities and cashflow of the Health Management Business be deconsolidated from the consolidated financial statements of the Group since 1 January 2017.

As a result of the above, the Healthcare Business is the only remaining operating business of the Group. Although this business segment has unavoidably been affected by the very limited resources of the Group resulted from the prolonged Trading Suspension and its heavy indebtedness as well as the disruptive impact of the COVID-19 pandemic on the business activities worldwide including Hong Kong, the business has been progressing well. In 2022, the Healthcare Business has achieved a number of development milestones including becoming (i) the sole distributor of one of the top brands in the industry for Hong Kong for 4 years; and (ii) the authorized distributor of a renowned medical equipment and product vendor for Hong Kong till end of 2024. Looking ahead, the

challenges arising from the Sino-United States trade conflict, the geographical tensions, the wars in Ukraine and the Middle East, the drastic and disruptive changes in the business environment and disruption of supply chains in the midst of the COVID-19 pandemic as well as the worldwide interest and inflation hikes will continue to take a hit on the global economy and may inevitably affect the Group's business operations. Admittedly, this is a very difficult period for all but the Company is confident that it will be able to survive all these challenges with the support of its stakeholders.

### **Indebtedness of the Company**

As at 31 December 2022, the Company had total assets of only HK\$0.6 million and its total liabilities amounted to HK\$346.1 million which have become due and payable. Prior to the Trading Suspension, the Company had been able to leverage on its listing platform to conduct equity or debt fund-raising exercises from the market to finance the operation of its businesses and repay/refinance its debts when they became due and payable. However, the Company's ability to conduct fund raising from the market to replenish the working capital necessary for its continuous operation had gone since the Trading Suspension. Accordingly, the Company is unable to satisfy all of its debts when due.

### **Winding up Petition**

On 18 April 2023, a Creditor filed a winding up petition against the Company for the alleged failure of the Company to settle a judgment debt of HK\$16,175,304 obtained by the Creditor in February 2023, together with the unpaid interest and cost thereon. The Company has filed an appeal to the Hong Kong Court against the said judgment. The hearing of the appeal was held in October 2023 and the judgment was reserved. As at the date of this announcement, the Hong Kong Court is yet to hand down its decision and the winding up petition hearing has been adjourned to November 2023. Nevertheless, the Board is of the view that since the relevant debt represents less than 5% of the total liabilities of the Company, the final outcome of this litigation will have no material adverse impact on the Company.

### **Scheme**

The Company, in view of its deteriorating financial situation since Trading Suspension and the above-mentioned winding up petition against the Company, has been contemplating solutions to settle its indebtedness. After due and care consideration, the Board has resolved that it would be in the best interest of the Company, the Creditors and the Shareholders (particularly the public Shareholders) to conduct a debt restructuring by way of the Scheme in order to restore the Company's financial and business positions to normality. The Scheme is not subject to Trading Resumption because the Scheme Settlement Consideration shall be settled by cash to be drawn down from the Second Loan (the drawdown of which is not subject to Trading Resumption) and the Scheme Shares shall be issued and allotted to the Creditors as additional recovery to the Creditors only if Trading Resumption takes place. Based on the Resumption Conditions, the Company does not expect Trading Resumption

to be subject to completion of the Scheme. All claims of the Creditors against the Company of approximately HK\$349 million as at the date of this announcement will be fully and finally discharged upon payment of the Scheme Settlement Consideration which will range between HK\$8.6 million and HK\$10 million, depending on the settlement options elected by the Creditors. No Creditor who will receive the Scheme Settlement Consideration is also a Shareholder. If Trading Resumption takes place, 16,301,841 Scheme Shares will be issued and allotted to the Creditors, which will be 5% of the existing share capital of the Company and 0.8% of the share capital of the Company as enlarged by the issue of the Scheme Shares and the Conversion Shares, under the general mandate of the Company sought at a shareholders' meeting of the Company. Based on the issue price of the Scheme Shares of HK\$0.01 (being the same as the Conversion Price), the aggregate value of the Scheme Shares shall be approximately HK\$160,000.

### **First Loan**

On 28 September 2020, the Company entered into an initial loan agreement with Mr. Huang, pursuant to which Mr. Huang agreed to provide a financing facility of up to HK\$5 million to finance the operating costs of the Company. On 22 July 2022, the Company entered into an agreement with the Investor, pursuant to which the Investor agreed to provide the First Loan of up to HK\$8 million (including the initial loan facility of HK\$5 million under the initial loan agreement) to finance the operating costs of the Company and those costs relating to the Trading Resumption.

### **Restructuring Agreement**

On 3 October 2022, the Company and the Investor entered into a loan agreement under which the Investor conditionally agreed to provide the Second Loan of up to HK\$10 million for payment of the Scheme Settlement Consideration. Pursuant to the Restructuring Agreement, the Company has conditionally agreed to allot and issue to the Investor the First Conversion Shares and the Second Conversion Shares for settlement of the First Loan and the Second Loan respectively, the principal terms of which are set out below.

#### ***First Loan Conversion***

The First Loan has been fully drawn down as at the date of this announcement. If Trading Resumption is approved by the SFC and the Stock Exchange (whether conditionally or unconditionally), the Investor shall convert the entire principal amount of the First Loan into the First Conversion Shares at the Conversion Price. Upon completion of the First Loan Conversion, all outstanding liabilities of the Company under the First Loan (including the accrued interest) shall be deemed fully paid, settled and waived.

#### ***Second Loan Conversion***

The Second Loan is yet to be drawn down as at the date of this announcement and its drawdown is subject to the Scheme becoming effective and shall be applied to the Scheme Settlement Consideration. If there is any remaining proceed, the Company intends to apply it to the daily operations of the Group. If Trading Resumption is approved by the SFC and

the Stock Exchange (whether conditionally or unconditionally), the Investor shall convert the entire principal amount of the Second Loan into the Second Conversion Shares at the Conversion Price. Upon completion of the Second Loan Conversion, all outstanding liabilities of the Company under the Second Loan (including the accrued interest) shall be deemed fully paid, settled and waived.

The Conversion Shares will rank pari passu in all respects among themselves and with the Shares in issue as at the date of allotment and issuance of the Conversion Shares. An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Conversion Shares. The Loan Conversions are subject to, among others, fulfilment of the Resumption Conditions and the Scheme becoming effective. The legal advisers to the Company will make arrangements with the Hong Kong Court for the Scheme to proceed. Following fulfilment of all Resumption Conditions, the Conversion Shares shall be allotted and issued to the Investor under the Specific Mandate to be sought from the Independent Shareholders at the EGM. As at the date of this announcement, the Company had 326,036,828 Shares in issue. The 800,000,000 First Conversion Shares and the 1,000,000,000 Second Conversion Shares in aggregate represent (i) 552.1% of the total number of Shares in issue as at the date of this announcement; and (ii) 84.7% of the total number of Shares in issue as enlarged by the allotment and issue of the Conversion Shares.

### ***Conversion Price***

The Conversion Price of HK\$0.010 per Conversion Share represents:

- (a) a discount of 97.4% to the closing price of HK\$0.38 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 97.4% to the average closing price of HK\$0.38 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (c) a discount of approximately 97.6% to the average closing price of HK\$0.41 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;
- (d) a theoretical dilution effect (as defined under the Listing Rules) of 82.7% based on the theoretical diluted price of HK\$0.0692 to the benchmarked price (as defined under the Listing Rules) of HK\$0.40 per Share based on the closing price of HK\$0.38 on the Last Trading Day and the average closing price of HK\$0.40 for the five consecutive trading days prior to the Last Trading Day; and
- (e) a premium of HK\$1.064 or HK\$1.0754 to the Company's audited net liabilities per Share of HK\$1.054 as at 31 December 2022 or unaudited net liabilities per Share of HK\$1.0654 as at 30 June 2023 respectively based on the 326,036,828 Shares in issue as at 31 December 2022 and 30 June 2023 respectively.

The Conversion Price was determined after arm's length negotiation between the Company and the Investor with reference to (i) the substantial dilution impact of the Conversion Shares on the existing Shareholders; (ii) the lack of recent price of the Shares for

comparison purpose (Trading Suspension for 6 years); (iii) its deep discount to the price of the Shares on the Last Trading Day; (iv) the substantial net liabilities of the Group and the uncertainty of whether Trading Resumption will take place and the Scheme will eventually become effective; (v) the imminent funding needs of the Company for payment of the costs relating to Trading Resumption to rescue itself from being delisted and for payment of the Scheme Settlement Consideration to rescue itself from being wound up ; (vi) the risk born by the Investor in providing the First Loan (which has been fully advanced to the Company) and the Second Loan (which might have been advanced to the Company after the Scheme becomes effective but Trading Resumption might not take place) while the Trading Resumption is uncertain; (vii) the significant premium of the Conversion Price to the net liabilities per Share as at 30 June 2023 ; and (viii) the unfavourable global and local market sentiments. Taking into account the above factors as a whole, the Board is of the view that the Conversion Price is fair and reasonable and in the best interest of the Company and the Shareholders as a whole. The net price per Conversion Share is estimated to be HK\$0.009 after deduction of costs relating to the Loan Conversions.

### ***Conditions precedent***

The Loan Conversions under the Restructuring Agreement are conditional upon satisfaction or the waiver (as the case may be) of the following conditions precedent:

- (a) the passing of the resolutions by the Independent Shareholders by way of poll at the EGM for approving the Restructuring Agreement (including the Loan Conversions), the Specific Mandate and the Whitewash Waiver;
- (b) the Executive having granted the Whitewash Waiver to the Investor;
- (c) the Scheme having become effective;
- (d) fulfilment of the Resumption Conditions;
- (e) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Conversion Shares;
- (f) the representations and warranties given by the Company and the Investor under the Restructuring Agreement remaining true, accurate, complete and not misleading in all material respects from the date of the Restructuring Agreement to the date of completion of the Restructuring Agreement; and
- (g) the Investor being reasonably satisfied with the due diligence review on the business and financial conditions of the Company.

Conditions (a) (other than the Whitewash Waiver), (c), (d) and (e) are not waivable by the Company and the Investor. The Company may waive conditions (a) in respect of the Whitewash Waiver, (b) and (f) and the Investor may waive conditions (a) in respect of the Whitewash Waiver, (b), (f) and (g). In the event any of the conditions not being fulfilled or waived (as the case may be) in full by 30 June 2024 (or such other date as may be agreed between the Company and the Investor), the Loan Conversions shall cease and terminate.

## ***Completion***

Completion of the two Loan Conversions will take place simultaneously on the fifth business day after the satisfaction or the waiver (as the case may be) of all the above conditions precedent (or such other date as the Company and the Investor may agree). If both conditions (a) (in respect of the Whitewash Waiver) and (b) are waived at the same time by the Company and the Investor and completion of the Loan Conversions takes place, the Investor, Mr. Huang and parties acting in concert with any of them will comply with Rule 26.1 of the Takeovers Code and make an unconditional mandatory cash offer to acquire all the issued Shares (other than those Shares agreed to be acquired by the Investor, Mr. Huang and parties acting in concert with any of them) and the Company will make further announcements in compliance with the Takeovers Code and the Listing Rules. Since the Investor, as at the date of this announcement, has reserved its rights to waive the Whitewash Waiver condition if the Whitewash Waiver is not granted or the condition of the Whitewash Waiver is not satisfied, the offer period has commenced on the date of this announcement. Under Rule 3.7 of the Takeovers Code, monthly announcements setting out the progress of the Loan Conversions will continue to be made until an announcement of a firm intention of the Investor to make an offer under Rule 3.5 of the Takeovers Code or of a decision of the Investor not to proceed with an offer is made.

## ***Trading Resumption***

To facilitate the Trading Resumption, each of the Company and the Investor undertakes and agrees to use its best endeavours to procure compliance with the Resumption Conditions as soon as reasonably practicable in accordance with the terms of the Restructuring Agreement.

## ***The Board's view***

The Company has been in need of external financing in order to rescue itself from being wound up or delisted. Since Trading Suspension, the Company has approached a number of financial institutions and potential investors for fund-raising; however, due to the ever deteriorating business and financial performance of the Group since Trading Suspension and the nature of the Trading Suspension, none of these fund-raising attempts met success save as the Investor. The First Loan and the Second Loan represented a crucial and timely opportunity to rescue the Company and enable it to continue as a going concern. In addition, the intention of the Investor to become the controlling Shareholder under the Loan Conversions would present a very positive assurance to the market and the customers, suppliers and business partners of the Group, which is conducive to its continuing operation and stability. The Company has also explored other fund-raising means including rights issue and open offer. However, these fund-raising means are not feasible for the time being under the Trading Suspension while there existed an imminent need of the Company for funding to pay for the costs relating to Trading Resumption to rescue itself from being delisted and the Scheme Settlement Consideration to rescue itself from being wound up. In view of the above, the Board considered raising funds by way of the First Loan and the Second Loan and subsequently the Loan Conversions are the most cost-effective and efficient and the only available fundraising method to rescue the Company.

It is expected that after completion of the Scheme (i.e. full settlement of the debts of the Creditors) and the Loan Conversions (i.e. full settlement of the First Loan and the Second Loan), the Company's financial position will be restored to normality and the Company will be in a net asset position, which is in the interest of the Company and its stakeholders (including the public Shareholders and the Creditors) as a whole. Accordingly, the Board (excluding the independent non-executive Directors who will express their opinion in the circular after considering the advice of the IFA) considers that the terms of the Restructuring Agreement (including the Conversion Price) are fair and reasonable and on normal commercial terms, and the entering into of the Restructuring Agreement is in the interest of the Company and the Shareholders as a whole.

## EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company had 326,036,828 Shares in issue and had no other share, option, warrant, derivative or other relevant securities (as defined under the Takeovers Code) that carry a right to subscribe for or which are convertible into the Shares. Set out below are the shareholding structures of the Company (i) as at the date of this announcement; (ii) upon issue of the Scheme Shares; and (iii) upon completion of the Loan Conversions:

	As at the date of this announcement		Upon issue of Scheme Shares		Upon completion of Loan Conversions	
	Shares	%	Shares	%	Shares	%
The Investor	—	—	—	—	1,800,000,000	84.0%
The Investor, Mr. Huang and parties acting in concert with any of them	—	—	—	—	—	—
Subtotal	—	—	—	—	1,800,000,000	84.0%
Creditors	—	—	16,301,842	4.8%	16,301,842	0.8%
Public Shareholders	326,036,828	100.0%	326,036,828	95.2%	326,036,828	15.2%
	<u>326,036,828</u>	<u>100.0%</u>	<u>342,338,670</u>	<u>100.0%</u>	<u>2,142,338,670</u>	<u>100.0%</u>

*Note:* There is no Creditor who is a party acting in concert with any of the Investor or Mr. Huang.

## PLACING DOWN BY THE INVESTOR TO MAINTAIN PUBLIC FLOAT

The Investor has undertaken with the Company that following completion of the Loan Conversions, it will to the extent required by the Listing Rules and within the time limits permitted by the Stock Exchange sell or otherwise dispose of such number of Shares as may be required to ensure that the minimum public float as required under the Listing Rules is maintained to permit the continued listing of all issued Shares on the Stock Exchange. The required number of Shares will be disposed of by the Investor to placees who will be

professional, institutional or other private investors and are to third parties independent of the Company and its connected persons (as defined in under the Listing Rules) and the Investor and its connected persons and not acting in concert with any of the Investor or Mr. Huang. As it is not expected that any individual placee will become a substantial Shareholder immediately after completion of the placing down, the number of Shares to be placed will form part of the public float of the Company. Save for the placing down, the Investor and Mr. Huang do not have any plan, agreement, arrangement, intention or understanding to transfer, charge, pledge or otherwise dispose of any Share to any other person within 6 months following the Trading Resumption.

## **INFORMATION ON THE INVESTOR**

The Investor is a company incorporated in the Republic of Seychelles with limited liability, which is wholly and beneficially owned by Mr. Huang. The Investor is not a Shareholder and is a vehicle for investment holding purpose with no business operation. Both the Investor and Mr. Huang are not Creditors under the Scheme. To the best knowledge, information and belief of the Directors, the Investor and its beneficial owner are parties independent and not connected persons of the Company.

Mr. Huang has over 30 years of experience in manufacturing, sales and marketing and brand management. He has held managerial positions in a number of entities in the manufacturing industry prior to founding his own business. Mr. Huang is currently the founder and the managing director of a garment manufacturing company in the PRC. Mr. Huang considered that provision of the First Loan and the Second Loan to the Company is a good opportunity to acquire a controlling stake in the Company with a listing platform engaged in healthcare business at a reasonable price. Therefore, he has been providing financial support to the Company since 2020 for Trading Resumption and implementation of the Scheme to turn around its financial conditions for the survival and maintenance of the listing status of the Company when the Company had become insolvent and was in a dire financial position. Without the investment from the Investor, the Company could have been delisted and the Scheme could not be possible to proceed. In addition, in September 2021 (as supplemented by supplemental agreements), the Investor has provided a business loan facility of HK\$12 million at an interest rate of 5% per annum to the Healthcare Business. This loan facility is made to the Healthcare Business and is not part of the Scheme and does not carry conversion rights into the Shares.

## **FUTURE INTENTION OF THE INVESTOR REGARDING THE GROUP**

Upon completion of the Loan Conversions, the Investor will become a controlling Shareholder. The Investor confirms that (i) it has no intention to introduce any major change to the existing businesses of the Group or redeploy the fixed assets of the Group other than in its ordinary course of business nor inject any asset or business into the Group; and (ii) it intends the Group to continue with its existing businesses following completion of the Restructuring Agreement. The Company will continue to seek new

business opportunities to improve its profitability and business prospects, consolidate or streamline its existing business, enhance its future business development and strengthen its revenue base, and may diversify into other businesses should suitable opportunities arise.

As at the date of this announcement, the Investor has no intention to discontinue the employment of any of the Group's employees. Following completion of the Restructuring Agreement, the Investor may propose to nominate new Directors to strengthen the management of the Group. Further details regarding the proposed Directors will be disclosed as and when appropriate in accordance with the requirements under the Listing Rules and the Takeovers Code.

## **EQUITY FUND RAISING ACTIVITIES OF IN THE PAST TWELVE MONTHS**

The Company has not conducted any equity fund raising activities in the past twelve months before the date of this announcement.

## **IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER**

As at the date of this announcement, neither the Investor and Mr. Huang nor any party acting in concert with any of them hold or are interested in any shares or securities of the Company. Immediately upon completion of the Loan Conversions, the Investor, Mr. Huang and parties acting in concert with any of them will hold 1,800,000,000 Shares, representing 84.7% of the total number of Shares in issue as enlarged by the allotment and issue of the Conversion Shares. Under Rule 26.1 of the Takeovers Code, the Investor would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Investor and parties acting in concert with any of the Investor or Mr. Huang unless the Whitewash Waiver is granted by the Executive. An application will be made by the Investor to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Conversion Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of at least 75% votes by the Independent Shareholders present and voting (either in person or by proxy) in respect of the Whitewash Waiver and more than 50% votes of the Independent Shareholders present and voting (either in person or by proxy) in respect of the Loan Conversions (including the Specific Mandate) at the EGM by way of poll.

If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Loan Conversions will still proceed. In such event, the Investor, Mr. Huang and parties acting in concert with any of them will comply with Rule 26.1 of the Takeovers Code and make an unconditional mandatory cash offer to acquire all the issued Shares (other than those Shares agreed to be acquired by the Investor, Mr. Huang and parties acting in concert with any of them) and the Company will make further announcements in compliance with the Takeovers Code and the Listing Rules. Under Rule 3.7 of the Takeovers Code, monthly announcements setting out the progress of the Loan

Conversions will continue to be made until an announcement of a firm intention of the Investor to make an offer under Rule 3.5 of the Takeovers Code or of a decision of the Investor not to proceed with an offer is made.

Save for entering into the Restructuring Agreement, none of the Investor, Mr. Huang or parties acting in concert with any of them has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible into any Share during the six-month period prior to the date of the Restructuring Agreement and this announcement.

As at the date of this announcement, the Investor has confirmed that:

- (a) save for entering into of the Restructuring Agreement, the Investor, Mr. Huang and the parties acting in concert with any of them have not dealt in any Share, option, warrant or convertible securities of the Company or any derivatives in respect of such securities in the six months prior to the date of this announcement;
- (b) the Investor, Mr. Huang and the parties acting in concert with any of them have not entered into any outstanding derivative in respect of securities in the Company;
- (c) the Investor, Mr. Huang and the parties acting in concert with any of them have not entered into any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Loan Conversions, the Specific Mandate or the Whitewash Waiver;
- (d) save for the Restructuring Agreement, the Investor has not entered into any agreements or arrangements which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Loan Conversions, the Specific Mandate or the Whitewash Waiver;
- (e) the Investor, Mr. Huang or any person acting in concert with any of them have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (f) the Investor, Mr. Huang or parties acting in concert with any of them has not received irrevocable commitment from Independent Shareholders that they will vote in favour of the resolution approving the Loan Conversions, the Specific Mandate and/or the Whitewash Waiver at the EGM; and
- (g) there is no other understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholder; and (i) the Investor, Mr. Huang and parties acting in concert with any of them, or (ii) the Company, its subsidiaries or associated companies.

As at the date of this announcement, the Company does not believe that the Loan Conversions will give rise to any concern in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authorities as soon as possible but in any event before the despatch of the circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Loan Conversions do not comply with other applicable rules and regulations.

### **Establishment of Independent Board Committee**

The Independent Board Committee, comprising all the independent non-executive Directors in compliance with Rule 2.8 of the Takeovers Code, has been formed to advise the Independent Shareholders as to whether the terms of the Restructuring Agreement (including the Loan Conversions), the Specific Mandate and/or the Whitewash Waiver are fair and reasonable and on how to vote at the EGM. None of the members of the Independent Board Committee has any interest or involvement in the Restructuring Agreement (including the Loan Conversions), the Specific Mandate and/or the Whitewash Waiver.

### **Appointment of IFA**

Somerley Capital Limited has been appointed as the IFA with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Restructuring Agreement (including the Loan Conversions), the Specific Mandate and the Whitewash Waiver.

### **IMPLICATIONS UNDER THE LISTING RULES**

The Conversion Price represented a theoretical dilution effect (as defined under the Listing Rules) of 82.7%. Pursuant to Rule 7.27B of the Listing Rules, the Company should not undertake a share subscription that would result in a theoretical dilution effect of 25% or more within a 12-month period. However, the Loan Conversions form part of a critical rescue proposal for the Company given (i) its substantial net liabilities and minimal net assets as at 31 December 2022; and (ii) its imminent funding needs to pay for the costs relating to Trading Resumption to rescue itself from being delisted and the Scheme Settlement Consideration to rescue itself from being wound up. Accordingly, the Company is of the view that there are exceptional circumstances for the Loan Conversions to proceed for purpose of Rule 7.27B of the Listing Rules.

### **EGM**

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Restructuring Agreement (including the Loan Conversions), the Specific Mandate and the Whitewash Waiver. The resolutions in relation to the Loan Conversions, the Specific Mandate and the Whitewash Waiver will be voted on by the

Independent Shareholders by way of poll at the EGM. A circular containing (i) a letter of recommendation from the Independent Board Committee to the Independent Shareholders and a letter of advice from the IFA to the Independent Board Committee in relation to the Restructuring Agreement (including the Loan Conversions), the Specific Mandate and the Whitewash Waiver; and (ii) a notice of the EGM will be despatched to the Shareholders as soon as practicable in compliance with the requirements of the Listing Rules and the Takeovers Code.

Neither the Investor, Mr. Huang nor the parties acting in concert with any of them hold any Share and no Shareholder is involved in or interested in the Loan Conversions, the Specific Mandate and/or the Whitewash Waiver. There is no Creditor who will receive the Scheme Settlement Consideration is also a Shareholder. Therefore, no Shareholder is required to abstain from voting at the EGM in respect of the resolutions approving the Restructuring Agreement (including the Loan Conversions), the Specific Mandate and the Whitewash Waiver. However, as disclosed in its quarterly resumption update announcements from time to time, the Company has been taking steps to address the concerns of the SFC and the Stock Exchange with a view to causing Trading Resumption in a timely manner. In this regard, the Board has been making efforts to ensure that the Board and the voting Shares in its general meetings are independent of and/or are not related to or under the influence of the Implicated Persons, who were the then management of the vendor of the New Ray Acquisition, which, as disclosed above, has led to the Trading Suspension. As such, if it is to the reasonable belief of the chairperson of the EGM that there is any vote which is not independent of and/or is related to or under the influence of the Implicated Persons, such vote will not be counted towards the votes at the EGM pursuant to the M&A, which provides that the decision of the chairperson of a general meeting of the Company on the qualification of the voters (and thus their votes) shall be final and conclusive.

## **RESERVATION OF RIGHT TO WAIVE THE WHITEWASH WAIVER CONDITION**

Under the Restructuring Agreement, the Investor has reserved its right to waive the conditions in relation to granting of the Whitewash Waiver by the Executive and approval of the Whitewash Waiver by the Independent Shareholders. Accordingly, the offer period has commenced as at the date of this announcement. The results of the EGM will be announced in accordance with the relevant requirements under the Listing Rules and the Takeovers Code following conclusion of the EGM. If the Independent Shareholders do not approve the grant of the Whitewash Waiver at the EGM, the Investor will consider whether to proceed with the Loan Conversions and make a general offer, which will be solely in cash, for all the outstanding issued shares of the Company in accordance with Rule 26.1 of the Takeovers Code. The Investor will disclose its intention in the results announcement of the EGM. If the Investor announces its intention to complete the Loan Conversions and make an offer for all the outstanding Shares in issue in the results announcement of the EGM, the offer period will continue until such offer completes or lapses.

## DEALING DISCLOSURE

For the purposes of the Takeovers Code, the offer period of the Investor has commenced as at the date of this announcement. In accordance with Rule 3.8 of the Takeovers Code, the respective associates (as defined in the Takeovers Code) of the Company and the Investor (including persons owning or controlling 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Investor) are hereby reminded to disclose their dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company pursuant to Rule 22 of the Takeovers Code.

For this purpose, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

### ***“Responsibilities of stockbrokers, banks and intermediaries***

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of the Investor or the Company and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant requirements under the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## GENERAL

Trading in the shares of the Company will continue to be suspended pending fulfilment of the Resumption Conditions. The Company will continue to take steps to address the concerns of the SFC and the Stock Exchange and will keep its shareholders and potential investors posted of any material development in this regard as and when appropriate.

**The release of this announcement is not an indication that (a) the Trading Resumption has been or will be approved, or (b) approval for the listing of the Loan Conversions will be granted, or (c) the conditions precedent to the Restructuring Agreement have been or will be fulfilled, or (d) completion of the Loan Conversions will take place. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares and are recommended to consult their professional advisers if they are in doubt about their position and as to the actions that they should take.**

## **DEFINITIONS**

In this announcement, the following words and expressions shall have the following meanings ascribed to them:

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“associates”	has the meaning ascribed to it under the Takeovers Code or the Listing Rules (as the case may be)
“Board”	the board of Directors
“Company”	SoftMedx Healthcare Limited, a company incorporated in Hong Kong with limited liability whose issued shares are listed on the Main Board of the Stock Exchange (stock code: 648)
“connected persons”	has the same meaning ascribed to it under the Listing Rules
“Conversion Price”	HK\$0.01 per Conversion Share
“Conversion Shares”	the First Conversion Shares and the Second Conversion Shares
“Creditors”	the creditors of the Company
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve, among others, the Restructuring Agreement (including the Loan Conversions), the Specific Mandate and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

“First Conversion Shares”	the 800,000,000 new Shares to be allotted and issued by the Company upon the First Loan Conversion
“First Loan”	the provision of a loan of up to HK\$8 million by the Investor under an agreement between the Company and the Investor dated 22 July 2022 at an interest rate of 5% per annum
“First Loan Conversion”	the exercise of the conversion right by the Investor under the Restructuring Agreement to convert the First Loan into the First Conversion Shares at the Conversion Price
“Group”	the Company and its subsidiaries
“Hong Kong Court”	The High Court of Hong Kong
“IFA”	Somerley Capital Limited, a licensed corporation under the SFC to carry out Type 6 (advising on corporate finance) regulated activity as defined in the SFO, being the independent financial adviser appointed with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Restructuring Agreement (including the Loan Conversions), the Specific Mandate and the Whitewash Waiver
“Implicated Persons”	all of the former board of directors and management of the vendor of the New Ray Acquisition as at the date of the New Ray Acquisition Announcement
“Independent Board Committee”	the independent committee of the Board established in compliance with Rule 2.8 of the Takeovers Code and comprising all the independent non-executive Directors, namely Ms. Hu Xuezheng, Mr. Lin Pinzhuo and Mr. Yiu Chun Wing, who have no direct or indirect interest in the Restructuring Agreement (including the Loan Conversions), the Specific Mandate or the Whitewash Waiver
“Independent Shareholders”	Shareholders other than (i) the Investor, Mr. Huang and parties acting in concert with any of them; (ii) those who are involved or interested in the Restructuring Agreement (including the Loan Conversions), the Specific Mandate and the Whitewash Waiver; and (iii) those who are required to abstain from voting at the EGM under the Listing Rules and the Takeovers Code

“Investor”	Multi Omniverse Group Limited, a company incorporated in the Republic of Seychelles with limited liability and wholly and beneficially owned by Mr. Huang
“Last Trading Day”	24 November 2017, being the last trading day immediately before the Trading Suspension
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Conversions”	the First Loan Conversion and the Second Loan Conversion
“M&A”	the Memorandum and Article of Associations of the Company
“Mr. Huang”	Mr. Huang Jie, the sole beneficial owner of the Investor
“New Ray Acquisition”	the Group’s acquisition of 9.9% issued shares of New Ray Medicine International Holding Limited (a company listed on the Main Board of the Stock Exchange (stock code: 6108)) as announced in the New Ray Acquisition Announcement
“New Ray Acquisition Announcement”	the announcement of the Company dated 23 June 2016 relating to the New Ray Acquisition
“PRC”	The People’s Republic of China
“Restructuring Agreement”	the conditional agreement dated 3 November 2023 and entered into between the Company and the Investor in connection with the Loan Conversions
“Resumption Conditions”	the conditions imposed by the Stock Exchange for Trading Resumption
“Scheme”	the scheme of arrangement of the Company to be made between the Company and the Creditors pursuant to Sections 670 and 673 of the Companies Ordinance (Cap 622 of the laws of Hong Kong)
“Scheme Settlement Consideration”	the cash payable to the Creditors pursuant to the Scheme
“Scheme Shares”	the new Shares to be allotted and issued to the Creditors after the Scheme becomes effective, subject to the Trading Resumption

“Second Conversion Shares”	the 1,000,000,000 new Shares to be issued and allotted by the Company to the Investor upon conversion of the Second Loan pursuant to the Restructuring Agreement
“Second Loan”	the provision of a loan facility of up to HK\$10 million by the Investor under pursuant to an agreement between the Company and the Investor dated 30 October 2022 at an interest rate of 5% per annum
“Second Loan Conversion”	the conversion of the Second Loan into the Second Conversion Shares by the Investor pursuant to the Restructuring Agreement
“SFC”	The Securities and Futures Commission
“SFO”	The Securities and Future Ordinance (Cap 571 of the laws of Hong Kong)
“Shares”	the ordinary shares of the Company
“Shareholders”	holders of the Shares
“Specific Mandate”	the specific mandate proposed to be considered, approved and granted by the Independent Shareholders at the EGM to authorise the Board to allot and issue and/or deal in the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC as amended from time to time
“Trading Resumption”	the resumption of trading in the Shares
“Trading Suspension”	the suspension of trading in the Shares since 27 November 2017
“Whitewash Waiver”	the whitewash waiver pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code in respect of any obligation of the Investor to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned, controlled or agreed to be acquired by the Investor, Mr. Huang and parties acting in concert with any of them which might otherwise arise as a result of the Loan Conversions

“HK\$” Hong Kong dollar, the lawful currency of Hong Kong  
“%” per cent

For and on behalf of the Board of  
**SoftMedx Healthcare Limited**  
Lam Sung Him Gaston  
*Company Secretary*

Hong Kong, 3 November 2023

*As at the date of this announcement, the Board comprises Mr. Cheung Wai Kwan and Mr. Wang Jianguo as executive Directors; and Ms. Hu Xuezheng, Mr. Lin Pinzhuo and Mr. Yiu Chun Wing as independent non-executive Directors.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to the Investor) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the sole director of the Investor) have been arrived at after due and careful consideration and there is no other fact not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*The sole director of the Investor, Mr. Huang, accepts full responsibility for the accuracy of the information relating to the Investor contained in this announcement (other than those relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this announcement (other than those expressed by the Directors) have been arrived at after due and careful consideration and there is no other fact not contained in this announcement, the omission of which would make any statement in this announcement misleading.*