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Grace Life-tech Holdings Limited

恩典生命科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Joint Provisional Liquidators appointed)

(For restructuring purposes only)

(Stock Code: 02112)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION
TO THE ANNUAL REPORT OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2024**

The board (the “**Board**”) of directors (each, a “**Director**”) of the Grace Life-tech Holdings Limited (the “**Company**”) would like to provide additional information in relation to its annual report for the year ended 31 December 2024 (the “**Annual Report**”). Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Annual Report.

DISCLAIMER OF OPINION

As at the date of the Annual Report, the Company has taken the following measures to address the Disclaimer:

(i) Business Expansion

Mining Business

In view of the decline in iron ore price during the Year as compared to 2023, the Company has decided to temporarily suspend its iron ore business until market prices recover. The Group has been seeking strategic investors and partners to optimize production process, reduce operating costs and expand sales channels to resume the iron ore mining operation.

In the meantime, the Group has also been assessing the possibility and feasibility of extraction of other elements, for example, tin concentrate as a by-product to unlock potential additional value from the mining site. This initiative could be a supplementary business to generate new stream of revenue during the temporary suspension of primary iron ore mining.

Plant Stem Cell Business

The Group sources plant stem cell essence from the supplier which has also granted the use of its five patented technologies in connection with the application of plant stem cell in developing and producing health products, as well as their sale, promotion and related commercial activities to the Group.

The Group also procures supplementary ingredients from other supplier in the People's Republic of China (“**PRC**”) for further processing of plant stem cell essence into final products.

The Group engaged the processing facilities in the PRC to produce health products with the plant stem cell essence and a specific mix of supplementary ingredients according to the Group's product formulas. The outsourced manufacturing reduced the pressure on initial capital investment to build its own production facilities and benefited from flexibility and cost optimization through scalable processing partners.

During the Year, the Group has continued to leverage on the plant stem cell technology on extraction and application to expand its research and development on functional health products and introduced a series of new products (including ginseng stem cell liquor, high-fiber probiotic drink, ginseng natto candy) for a wide range of customer needs including immune enhancement, metabolic improvement and cardiovascular health maintenance. The Group also formulated plans to launch plant stem cell-based traditional Chinese medicine products in near future.

The Group operates under a business-to-business (B2B) model by selling health products to distributors, and the distributors handle the sale and delivery to the end customers. Hence, the Group has continued to identify and engage with various distributors, private domain traffic platforms, and offline health management centers to establish a wide sale network and increase the market penetration. By leveraging on the established sale network of the distributors, the Group reduces operational complexity and direct marketing spend while enabling wider market reach. The B2B model also allows the Group to focus resources on research and development (R&D) and product innovation. In addition, the distributors who are familiar with market demand could also provide valuable comments to the Group in new product development.

In June 2024, the Group and Tianjin Bingcao Gangmu Biotechnology Co., Ltd. (“**Bingcao Gangmu**”), a holding group that focuses on hospital management, health management, traditional Chinese medicine health maintenance, and large-scale health chains have entered into a strategic cooperation framework agreement that the Group could promote the sale of plant stem cell products in Bingcao Gangmu's sales network.

In view of the Group's B2B model, it incurred no capital expenditure during the Year. During the Year, the Group has borrowed unsecured bank loans of RMB2.1 million with 2-year term and interest ranging from approximately 14.3% to 18.0% to support the working capital needs.

The Group intends to continue the current business model without adding capital spending in 2025 to develop the operation of plant stem cell business to generate increased revenue streams and positive cash flow to sustain its day-to-day operation and cover the Group's corporate expenses.

(ii) Shareholder Loan

Cosmo Field has agreed not to demand any repayment of US\$60 million as at 31 December 2024. There was no formal agreement, given that Cosmo Field being the Controlling Shareholder has been having a mutual understanding with the Company and aligned interest in supporting the Group's business continuity and financial stability before enforcing any repayment. The Company will continue to discuss with Cosmo Field in providing a written agreement on the above.

As Cosmo Field has defaulted in repayment for an amount of approximately US\$45.1 million to Industrial Bank, it has pledged its 752,000,000 Shares and assigned its rights under the Shareholder Loan 2 with an outstanding amount of US\$40 million to Industrial Bank as part of the security arrangement. Industrial Bank has the entitlement to claim against the Company for amount owed by Cosmo Field. Since whether Industrial Bank will execute the claim against the Company for the Shareholder Loan 2 depends on the negotiation between Industrial Bank and Cosmo Field, the Group has been constantly monitoring the status of resolving the default issue and loan restructuring between Industrial Bank and Cosmo Field by requesting regular updates from Cosmo Field and maintaining direct communication with Industrial Bank to get timely updates.

As at 31 December 2024, Cosmo Field has proposed to Industrial Bank and is in negotiation on the debt compromise and transfer of the pledged Shares in setting off the outstanding amount and awaiting its internal discussion and reply.

(iii) Other Borrowing

The third party lender, a businessman in Hong Kong, has agreed not to demand for any repayment of whose principal amounts of approximately US\$18.3 million and interest payable approximately US\$9.4 million as at 31 December 2024 until the Company is in a financial position to do so. Such loan was borrowed in 2019 for working capital purpose. The meeting was held in the 3rd quarter of 2024 on the debt restructuring proposal for debt compromise and waiver of interest. As the negotiation and discussion in restructuring such payable were still ongoing, no formal agreement has been signed. Entering into a formal agreement will be subject to the third party lender accepting the proposal and both parties agreeing on the details of the debt restructuring. The Group will use its best endeavors to reach an agreement with the third party lender on or before 31 December 2025.

(iv) Bank Loans

As at 31 December 2024, the Group's total bank borrowings of approximately US\$36,752,000 comprised approximately US\$36,533,000 from OCBC and the remaining approximately US\$219,000 maturing in 2026 borrowed from other banks. The Company has defaulted the repayment for the OCBC loan, in addition to negotiating with the Bank for renewal in the prior years, the Group has engaged two third-party asset management firms incorporated in the PRC, since December 2023 to formulate debt restructuring for debt compromise and disposal of loan to potential investor(s) introduced by third-party asset management firms; and potential debt-to-equity swap, consequent to changes in bank personnel and its prevailing internal procedures, further negotiation and discussion were pending since March 2024. The Group closely monitors the status updates and maintains active communication with the bank to continue the negotiation in reaching tripartite agreement on the debt restructuring terms including debt compromise and debt-for-equity swap arrangement.

The Group has designated the assistant of the executive Director as primary contacts from the Group to communicate with the bank to ensure consistency and accountability and provide monthly reports to the head of finance and executive Directors. The executive Directors would meet regularly to discuss the developments and review the progress of the debt restructuring plan.

** for identification purpose only*

(v) Possible Fundraising

While the Group maintained regular dialogue with certain financial institutions the Group has approached in prior years in the pursuit of fundraising opportunities during the Year, cautious investor sentiment due to uncertain future economic growth and high-interest-rate environment have presented challenges for fundraising.

The below sets out the negotiation conducted during the Year.

Financial institution	Discussion during the Year	Status
An independent third party institution (incorporated in Singapore with limited liabilities) (“ Potential Investor ”)	In September 2024, the Group presented its latest business development in plant stem cell business to the representative of Potential Investor and explored potential equity fundraising opportunities.	Seeking suitable offers and financing opportunities

The Group will continue to foster active communication with the financial institutions to identify suitable fundraising opportunities by scheduling regular meetings to present the Group's financial position and business development as well as to discuss capital market outlook and possible fundraising opportunities.

(vi) Promotion

The Group has actively reached out to and built contacts with various industry investors and strategic partners. For instance, the Group has entered into a strategic cooperation framework agreement with Bingcao Gangmu in June 2024 which allowed the Group to access to well-established health management ecosystem of Bingcao Gangmu to promote the plant stem cell technology and expand the Group's sale and market reach. The Group generated a new revenue stream of approximately US\$3.3 million from Bingcao Gangmu during the Year.

(vii) Collection of Outstanding Trade Debts

The Group has been taking measures to speed up the collection of outstanding trade debts, including active negotiation with debtors for repayment since 2021. With continued effort and as a positive step forward, the Group have reached a formal agreement on repayment and its two major debtors during the Year. The repayment under the current settlement plans represented relatively small portions of the total outstanding amounts. Hence, the Group intends to continuously engage the trade debtors and explore ways for acceleration of repayment schedule (including negotiating for early settlement in the discounted amount by trade debtors).

The breakdown of the gross trade receivables as at 31 December 2024 and 2023 is set out below.

	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
Debtor A (<i>note a</i>)	111,356	111,468
Debtor B (<i>note b</i>)	73,178	73,681
Debtor C	31,421	31,421
Others	8,371	8,495
	<u>224,326</u>	<u>225,065</u>

Notes:

- (a) During the Year, the Group and Debtor A, a company incorporated in British Virgin Islands with limited liability and principally engages in trading of metals entered into a formal agreement specifying that Debtor A to commence a monthly repayment of HK\$200,000 from June 2024. The gross amount due from Debtor A as at 1 January 2024 and 31 December 2024 were approximately US\$111.5 million and US\$111.4 million respectively. The aggregated amount settled by Debtor A during the Year and by 31 March 2025 were HK\$112,640 and HK\$1,215,000 respectively. The duration for full settlement under the current plan was not optimal and the Group will continue to engage with Debtor A to explore ways to accelerate the repayment schedule.
- (b) During the Year, the Group and Debtor B, a company incorporated in Republic of the Marshall Islands with limited liability and principally engages in trading of metals entered into a formal agreement specifying that Debtor B to commence a monthly repayment of HK\$200,000 from July 2024. The gross amount due from Debtor B as at 1 January 2024 and 31 December 2024 were approximately US\$73.7 million and US\$73.2 million respectively. The aggregated amount settled by Debtor B during the Year and by 31 March 2025 were HK\$503,554 and HK\$4,219,017 respectively. The duration for full settlement under the current plan was not optimal and the Group will continue to engage with Debtor B to explore ways to accelerate the repayment schedule.

(viii) Cost Control

In order to control the administrative costs, the Group has taken measures on (a) optimisation of staffing requirements including providing training to employee to increase the working efficiency, exploring the opportunities to implement software solutions in handling repetitive tasks and reviewing role redundancies, the total workforce has been streamlined from 45 as at 31 December 2023 to 40 as at 31 December 2024; (b) salary adjustments by considering the salary structure for new hires with a shift of fixed salaries to performance-based incentives to promote the staff productivity; and (c) implementation of other cost-saving measures including but not limited to containment of capital expenditures, limit unnecessary business travel and encourage virtual meetings.

(ix) The Petition

The Company filed a petition (the “**Cayman Petition**”) with the Grand Court of the Cayman Islands (the “**Cayman Court**”) for an order to wind up the Company and appoint joint provisional liquidators (the “**JPLs**”) on a light touch basis for restructuring purposes in June 2021 and this presented the Company’s intention to restructure or re-arrange the debts with its creditors. Since this, the Company has started negotiation with lenders and creditors for renewal and extension of loans as a part of the debt restructuring.

The major roles of JPLs include facilitating the restructuring by consulting and reviewing the debt restructuring matters, protecting the Company’s assets within the Cayman Island’s jurisdiction and taking necessary legal actions to support the debt restructuring. The Company has been retaining all powers of management on its business and affairs.

The Cayman Petition can be withdrawn with a quasi-joint application made to the Cayman Court and its approval for withdrawal. The Cayman Court will normally take into account if the Company implements debt restructuring, secures new financing or otherwise resolves its financial difficulties, making the winding-up unnecessary and other factors it considers applicable. During the Year, the Company has considered on withdrawal of the Cayman Petition and obtained professional fee quotes required to apply for the withdrawal which are expected to be relatively costly.

The auditor indicated that the removal of the Disclaimer is subject to the overall assessment on the Group’s ability to continue as a going concern, which depends on the resolving the default issues and restructuring debts, obtaining new finance and equity fundraising and other developments of the Group, hence the application for withdrawal of Cayman Petition may not have material practical impact at the moment and it was more appropriate to first focus on other measures to address the Disclaimer. Once the Group improves its financial position, completes debt restructuring and secures new financing, the Company would apply for the withdrawal of the Cayman Petition.

Other Legal Proceedings

On 5 December 2022, the Company received a statutory demand (the “**Statutory Demand**”) from the solicitors acting on behalf of a creditor, pursuant to Sections 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) for a repayment of approximately RMB251 million within three weeks, failing which a winding-up petition could be filed. The Company has contested the validity of the Statutory Demand stating that no business dealings with the creditor after conducting a thorough internal checking on the relevant financial records. The auditor indicated that the removal of the Disclaimer is subject to the overall assessment on the Group’s ability to continue as a going concern. And the Group has sought legal advice and understood that the Company did not need to prove conclusively for the non-existence of the alleged debts at that stage, and it has also prepared to challenge the demand if the counterparty initiates the winding-up proceedings. The Company has not received any winding-up petition or any legal proceedings notices in relation to the Statutory Demand up to and as at 31 December 2024.

As at 31 December 2024, neither the Company nor any of its operating subsidiaries is the subject of any winding-up proceedings or other legal proceedings.

Notes

As at 31 December 2024, the Company has two outstanding notes amounted to a total of approximately US\$78.2 million. Note 1 with principal amount of approximately US\$21.3 million and Note 2 with principal amount of approximately US\$20 million were matured on 30 June 2019 and 19 October 2019 respectively.

The Company has defaulted on the repayment of Note 1 and Note 2. In addition to the continuous discussion with Noteholder 1 (incorporated in British Virgin Island with limited liability and engages in equity and debt investments) and Noteholder 2 (incorporated in Singapore with limited liability and engages in corporate finance, asset management, and global markets & investment) for extension in prior years, the Company has engaged third-party asset management firms during the Year to meet and negotiate with the representatives of Noteholder 1 in July 2024 and the representatives of Noteholder 2 in November and December 2024 on debt restructuring proposal for debt compromise and disposal of note receivable by the noteholders; introduction of potential investors by third-party asset management firms to acquire the notes; and potential debt-to-equity swap. The negotiation and discussion were still ongoing, the parties had not agreed on the level of debt compromise, so no conclusion has yet been reached, but both parties are maintaining active communication in an effort to reach a resolution by tripartite agreement on the debt restructuring terms including debt compromise and debt-for-equity swap arrangement.

THE COMPANY’S PLAN TO ADDRESS THE DISCLAIMER

Since the debt restructuring involves a series of delicate negotiations with various creditors with rounds of proposals and counter proposals, lengthy internal discussions, achieving consensus among multiple creditors while ensuring the best interest of the Company and its shareholders could be inherently time-consuming. The Company has taken and will continue to implement the following measures in the year ended 31 December 2025 (the “FY2025”) to address the underlying issues to address the Disclaimer:

- (i) the Company continues to grow the operation of plant stem cell business by expanding the functional health product range including launch of beauty products, shampoo and body wash and diversifying the sales channels by identifying and engaging with 3-5 new suitable distributors in order to achieve an expected sales increase of not less than 20% in FY2025; and exploring the opportunities to strategically invest in the supplier to further strengthen the cooperation with the consideration to be settled by allotment of new Share which are expected to generate increased revenue streams and bring considerable operating cash flow to the Group in FY2025;
- (ii) the Company continues to communicate with Cosmo Field and will hold meeting in 2nd quarter of FY2025 to negotiate a written confirmation on agreeing not to demand repayment during FY2025 and closely monitors the updates from the negotiation between Industrial Bank and Cosmo Field;
- (iii) the Company continues to communicate with independent third party lender and will hold meeting in 3rd quarter of FY2025 to negotiate for entering into formal agreement that includes agreeing not to demand repayment and waive interest;
- (iv) the Group continues to actively participate and oversee the progress of the current third-party asset management firms in negotiating with existing lenders on debt restructuring to debt compromise and debt-to-equity swap, also the Group will initiate contact with a private equity investment fund in Beijing and hold meeting in the 3rd quarter of FY2025 to discuss and explore a debt consolidation plan and potential partnership with the fund to negotiate with all major creditors of the Group for debt compromise and settlement of those debts;
- (v) the Group maintains regular communication with financial institutions and will hold meeting in the second half of FY2025 with the Potential Investor to stay informed of market updates and identify potential fundraising opportunities;
- (vi) the Group continues to actively reach out to and build contacts with industry investors and strategic partners in FY2025. In addition to expanding the distribution network and seeking opportunities to get incremental funds, it also explores potential in-depth collaboration such as technology licencing and channel resource integration to strengthen the Group’s business development and growth;

- (vii) the Group closely monitors the repayment progress of Debtor A and Debtor B throughout FY2025 to ensure their timely and regular repayment adherence to the agreed terms entered in March 2024 and will hold meeting in 4th quarter of FY2025 to negotiate to explore ways to accelerate the repayment schedule; and
- (viii) the Group will continue to take active measures to control administrative costs to achieve expected cost saving of around 10% in FY2025 including optimising the workforce efficiency by providing staff trainings and adopting software solutions to promote productivity; conducting remuneration reviews and adjustments; and implementing other cost-saving measures including but not limited to containment of capital expenditures.

Save as disclosed above, all other information contained in the Annual Report remained unchanged.

By order of the Board
Grace Life-tech Holdings Limited
Ng Khing Yeu
Chairman

Hong Kong, 18 July 2025

As at the date of this announcement, the executive Directors are Mr. Ng Khing Yeu, Ms. Li Xiaolan and Mr. Wang Er, and the independent non-executive Directors are Mr. Dong Jie, Dr. Wang Ling and Mr. Leung Yiu Cho.