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CLARITY MEDICAL GROUP HOLDING LIMITED

清晰醫療集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1406)

RESUMPTION GUIDANCE AND CONTINUED SUSPENSION OF TRADING

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Clarity Medical Group Holding Limited (the “**Company**”, which together with its subsidiaries are collectively referred to the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Future Ordinance (Chapter 571, Laws of Hong Kong) (“**SFO**”).

Reference is made to the announcement of the Company dated 15 April 2025 in relation to the suspension of trading in shares of the Company on the Stock Exchange.

ALLEGATIONS

Since November 2024, the Stock Exchange has received a series of complaints from different purported Directors or employees of the Group (the “**Allegations**”). The Allegations are summarised below:

Material misstatement in the IPO prospectus of the Company (the “Prospectus”)

Around April 2025, Mr. Jiang Bo (“**Mr. Jiang**”), an executive Director and the chief executive officer of the Company, based on the internal documents obtained (including but not limited to email correspondences, bank statements and payment records), alleged that the disclosure in the Prospectus was inaccurate and misleading, and the Group’s profitability during the three financial years of the Company ended 31 March 2021 and the four months ended 31 July 2021 (the “**Track Record Period**”) has been manipulated through the following arrangements:

- (i) As disclosed in the Prospectus, Dr. Tse Wai Ip (“**Dr. Tse**”), an executive Director, (together with two former senior management of the Group, Dr. Hui Yung Lam (“**Dr. Hui**”) and Dr. Lau Tze Yan Teresa (“**Dr. Lau**”)) agreed to adjust their remuneration from a fixed plus variable basis to a fixed monthly fee. During the Track Record Period, Dr. Tse was entitled to a fixed monthly fee of HK\$100,000 (until he left the Group in October 2019 due to his health conditions), and the other two doctors were entitled to a fixed monthly fee of HK\$200,000 each.
- (ii) During the Track Record Period, Dr. Tse has been channelling the Group’s funds (which were obtained by way of undisclosed loans from the Group) to compensate Dr. Hui and Dr. Lau for any shortfall between their original variable remuneration and the adjusted fixed monthly fee of HK\$200,000. As a result, the consultancy fees recorded in the Company’s consolidated financial statements has been understated.
- (iii) In February 2019, March 2021 and November 2021, the Group declared and distributed dividend in an aggregated amount of HK\$148 million to its shareholders. In November 2021, the Company’s then shareholders (including 3W Partners GP Limited (“**3W Partners**”), Dr. Hui, Dr. Lau and WuXi AppTec Co., Ltd) directed the Company to transfer their dividend entitlement to Ultimate Bliss Limited (an entity wholly owned by Dr. Tse) (“**UBL**”). The dividends paid to UBL was subsequently set off against the outstanding balances owed by Dr. Tse under the undisclosed loans.
- (iv) As the above arrangement could not be replicated post-listing due to heightened regulatory requirements, the consultancy agreement of each of Dr. Hui and Dr. Lau was terminated in March 2022 and August 2022 (i.e., one month and six months after IPO), respectively.

Other allegations

Mr. Jiang also alleged that:

- (i) Dr. Tse and Mr. Lo Tsz Hong (“**Mr. Lo**”), an executive Director, were involved in instances of corporate misconduct, including the unauthorised establishment of Clarity Pharmacal Company Limited (a wholly owned subsidiary of the Company) in January 2023, and channelling the Group’s funds to Dr. Tse and/or its controlled entities (including WIT Limited) via certain consultancy agreement and renovation contracts between April 2022 and March 2023; and
- (ii) Dr. Tse might have failed to discharge his fiduciary duties to act in the interests of the Group by advancing proposals (including the consultancy agreement with WIT Limited) for his personal interests with the assistance of his associates through undisclosed concert party and guarantee arrangements.

Dr. Tse and Mr. Lo alleged that:

- (i) Mr. Jiang and Mr. Wang Can (“**Mr. Wang**”), an independent non-executive Director, were board representatives of Innovative Vision and Mr. Jiang has provided the funds to Innovative Vision Inc. (“**Innovative Vision**”) for its acquisition of the Company’s shares from 3W Partners. Such relationships were concealed in the Company’s published announcements and private submissions to the Exchange;
- (ii) Mr. Jiang and Mr. Hui Yung Chris (“**Mr. Hui**”), an executive Director and co-chief executive officer of the Company, have carried out several arrangements which are unauthorised by the Board, including:
 - (a) entering into two consultation agreements with an entity alleged to be related to Innovative Vision and/or Mr. Jiang in August and September 2024, under which the Company has paid at least a sum of HK\$1.5 million;
 - (b) instructing and/or directing the employment of a general manager of the Group (i.e., Mr. Joey Chen) who did not hold a valid working visa in Hong Kong at the material time;
 - (c) submitting an application to change the Company’s bank signatories in October 2024;
 - (d) appointing Mr. Jiang as a director of Saintford Limited (a wholly owned subsidiary of the Company) which was not made in accordance with the Company’s constitutional documents (i.e., a written approval of a majority of three quarters of all Directors);
 - (e) on behalf of Saintford Limited, entering into a settlement agreement on or around 17 December 2024 with Dr. Lau in respect of the outstanding balance of HK\$16 million due from Dr. Lau to the Group, which involved the assignment of a guarantee of HK\$1.75 million provided by Dr. Tse in favour of Dr. Lau (Dr. Tse failed to repay the outstanding balance in full and on 5 February 2025, Saintford Limited issue a writ of summons against Dr. Tse). Mr. Jiang and Mr. Hui had also failed to adhere to the Company’s internal control procedures given that the assignment was not on normal commercial terms and would constitute a non-exempt connected transaction under Chapter 14A of the Listing Rules;
- (iii) Mr. Jiang has been approached for investigation and/or enquiries by the Hong Kong Police Force and the Hong Kong Immigration Department;
- (iv) Mr. Wu Ting Yuk Anthony (“**Mr. Wu**”), a non-executive Director and chairman of the Board, Ms. Zhao Wei (“**Ms. Zhao**”), a non-executive Director, and Mr. Wang might have failed to discharge their fiduciary duties in handling the allegations against Mr. Jiang and Mr. Hui;
- (v) Mr. Jiang and Mr. Hui have intentionally delayed the investigation of the special committee established by the Board at a Board meeting held on 30 December 2024 and/or manipulated the investigation by the special committee with the assistance of Mr. Wu, Ms. Zhao and Mr. Wang; and
- (vi) Mr. Wu, Ms. Zhao, Mr. Wang, Mr. Jiang and Mr. Hui might have breached the Company’s whistleblowing policy and the Corporate Governance Code by imposing unwarranted disciplinary actions against certain whistleblowers within the Company.

RESUMPTION GUIDANCE

On 20 May 2025, the Company received a letter from the Stock Exchange setting out the following resumption guidance (the “**Resumption Guidance**”) for the resumption of trading in the shares of the Company on the Stock Exchange:

- (i) conduct an independent forensic investigation into the Allegations and related matters (including but not limited to any other allegations and/or accusations received by the Board from time to time which are connected to or arise from the Allegations);
- (ii) demonstrate that there is no reasonable regulatory concern about the integrity, competence and/or character of the Group’s management and/or any person with substantial influence over the Company’s management and operations, which may pose a risk to investors and damage market confidence;
- (iii) conduct an independent internal control review and demonstrate that the Company has in place adequate internal control and procedures to comply with the Listing Rules;
- (iv) re-comply with Rules 3.10(1), 3.10(2), 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules; and
- (v) inform the market of all material information for the Company’s shareholders and investors to appraise the Company’s position.

The Company must meet all Resumption Guidance, remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction before trading in its securities is allowed to resume. For this purpose, the Company has the primary responsibility to devise its action plan for resumption. Whilst the Company may seek the Stock Exchange’s guidance on its resumption plan, its resumption plan is not subject to prior approval by the Stock Exchange before implementation. The Stock Exchange further stated that it may modify or supplement the Resumption Guidance if the Company’s situation changes.

The Stock Exchange requested that as soon as practicable, the Company announces the Resumption Guidance and the 18-month period within which it must meet the Resumption Guidance, remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction and resume trading in its shares to avoid delisting.

FURTHER GUIDANCE

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 14 October 2026. If the Company fails to remedy the issues causing its trading suspension, fulfil the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange’s satisfaction and resume trading in its shares by 14 October 2026, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company’s listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period or to cancel the listing of the Company immediately, where appropriate.

The Company must also comply with the Listing Rules and all applicable laws and regulations in Hong Kong and its place of incorporation before resumption.

While trading is suspended, the Company shall fulfil its obligations under the Listing Rules including, but not limited to, the following:

- (i) keep the duration of any trading suspension to the shortest possible period as required under Rule 6.05 of the Listing Rules;
- (ii) comply with its continuing obligations under the Listing Rules at all times, for example, those applying to notifiable and/or connected transactions under Chapters 14 and 14A of the Listing Rules and publication of periodic financial results and reports and, if they are not available, management accounts, under Rules 13.46 to 13.49 of the Listing Rules;
- (iii) announce inside information required to be disclosed under Part XIVA of the SFO; and
- (iv) announce quarterly updates on its developments under Rule 13.24A of the Listing Rules including, among other relevant matters:
 - (a) its business operations;
 - (b) its resumption plan with details of actions that it has taken and intends to take to remedy the issues causing its trading suspension, fulfil the Resumption Guidance and fully comply with the Listing Rules and resume trading. The resumption plan should be accompanied with a clear timeframe in respect of each stage of work under the plan with a view that the Resumption Guidance can be fulfilled and trading can resume as soon as practicable and, in any event before the 18-month period expires;
 - (c) the progress of implementing its resumption plan; and
 - (d) details of any material change to the resumption plan and, in the case of delay, the reasons for and impact of such delay.

The Company must announce its first quarterly update on or before 14 July 2025 and every 3 months from that date until resumption or cancellation of listing (whichever is earlier).

With a view to resuming trading as soon as possible and in any event before the 18-month period expires, it is the Company's primary responsibility to devise its own resumption plan with a timetable setting out the actions that it considers appropriate to fulfil the resumption guidance and comply with the Listing Rules, work according to the plan, and announce quarterly updates as described above. Thus, whilst the Company may seek the Stock Exchange's guidance on its resumption plan, its resumption plan is not subject to prior approval by the Stock Exchange before implementation.

Before the Stock Exchange confirms to the Company that trading can resume, the Company must ensure that in each of its announcements, there is a statement that trading will remain suspended with an explanation of the reasons for the continued suspension.

Further announcement(s) will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules to update its shareholders and potential investors on the progress in complying with the Resumption Guidance.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Tuesday, 15 April 2025 and will remain suspended until further notice.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares or other securities of the Company, and if they are in any doubt about their position, they should consult their independent professional adviser(s).

By Order of the Board
CLARITY MEDICAL GROUP HOLDING LIMITED
WU Ting Yuk Anthony
Non-Executive Director and Chairman

Hong Kong, 30 May 2025

As at the date of this announcement, the Board comprises Mr. JIANG Bo, Mr. HUI Yung Chris, Dr. TSE Wai Ip and Mr. LO Tsz Hong as executive Directors, Mr. WU Ting Yuk Anthony as Chairman and non-executive Director and Ms. ZHAO Wei as non-executive Directors and Ms. CHENG Jessica and Mr. WANG Can as independent non-executive Directors.