Healthcare Enterprise Group plc

(**"HCEG"**, the **"Company"** or the **"Group"**)

Proposals to capitalise existing indebtedness, adopt a new investing policy, reorganise share capital, approve changes to the Board, adopt new articles of association and give notice of an Annual General Meeting

Healthcare Enterprise Group plc (AIM: HCEG) is pleased to announce certain proposals (the "Proposals") to:

- approve the capitalisation of £3,268,110 of its existing indebtedness by the issue of new shares in HCEG and the transfer by HCEG of some of its shares in certain of its subsidiaries (the "Capitalisation");
- adopt a new investing policy following the above-mentioned captalisation, as required by the AIM Rules;
- consolidate its existing share capital on the basis that every 250 existing ordinary shares of 0.1 pence being consolidated into 1 new ordinary share of 25 pence ("New Ordinary Share") (the "Share Consolidation");
- approve the appointment of John Honey and Gron Ffoulkes-Davies as directors to the Company; and
- adopt new articles of association reflecting changes introduced by the Companies Act 2006.

HCEG has convened an annual general meeting of the Company ("AGM") for 10am on 15 July 2009 to, amongst other things, approve its entry into the Proposals.

Proposed capitalisation of existing indebtedness

On 4 April 2009 the Company announced that it had reached agreement with the holders of its 2008 Secured Loan stock ("December Notes") to redeem such loan stock plus accrued interest by the transfer of shares in First Aid Holdings Limited ("FAH") and Ebiox Limited ("Ebiox"). On 27 April 2009 the Company announced that it had reached agreement with the holders of its 2012 Convertible Unsecured Loan Notes ("CULS") to convert such loan stock plus accrued interest into equity in HCEG, Ebiox or Reproductive Sciences Limited ("RSL").

The Company has now agreed, subject to Shareholder approval, that £3,268,110 of the aggregate indebtedness owed by the Company will be deemed to have been satisfied as follows:

(a) in respect of £300,000 of CULS (plus interest accrued thereon) owed to Derwent Limited, by the issue and allotment to it of 842,813 New Ordinary Shares at a subscription price of 37.5p per New Ordinary Share;

(b) in respect of a loan of £100,000 (plus interest accrued thereon) made to the Company by Nigel Wray, the issue and allotment to him of 133,333 New Ordinary Shares at a subscription price of 75p per New Ordinary Share;

(c) in respect of a premium payable to John Gunn and Nigel Wray in consideration of their agreeing to convert into shares in Ebiox ("Ebiox Shares") a sum of £300,000 (plus interest accrued thereon) owed to them (as referred to in paragraph (f) below), by the issue and allotment to them of 200,000 New Ordinary Shares at a subscription price of 37.5p per New Ordinary Share;

(d) in respect of the aggregate of £547,343 of debts due to certain of the directors of HCEG and certain other creditors, the issue and allotment to them of 1,459,582 New Ordinary Shares at a price of 37.5p per New Ordinary Share;

(e) in respect of £150,000 (plus interest accrued thereon) of December Notes held by Nigel Wray, by the transfer by the Company to him of 59,160 Ebiox Shares at a price of £2.75 per Ebiox Share;

(f) in respect of a loan of £300,000 (plus interest accrued thereon) made by John Gunn and Nigel Wray to the Company, by the transfer by the Company to them of 192,000 Ebiox Shares at a price of £1.71875 per Ebiox Share;

(g) in respect of a total of £1,001,274 of CULS (plus interest accrued thereon) owed to Nigel Wray, John Gunn and Nicholas Brigstocke, by the transfer by the Company to them of 487,200 Ebiox Shares at a price of £2.17 per Ebiox Share;

(h) in respect of £448,726 of CULS (plus interest accrued thereon) owed to Nigel Wray and John Gunn, by the transfer by the Company to them of 16,240 shares in RSL ("RSL Shares") at a price of £29.20 per RSL Share; and

(i) in respect of £350,000 December Notes (plus interest accrued thereon) owed to WB Nominees Limited, Peter Diamond and Anthony Wigram, by the transfer by the Company to them (or their nominee) of 303,688 shares in FAH ("FAH Shares") at a price of £1.25 per FAH Share.

The decision to capitalise certain of the Company's indebtedness by transferring part of its holding of Ebiox Shares, RSL Shares and FAH Shares rather than through the issue and allotment of further New Ordinary Shares in the Company has been taken by the Board on the basis that the Company does not currently have the capital resources to adequately fund the future growth and development of such companies. In addition, having a more diverse shareholder base may assist any fundraising exercise undertaken by such companies.

The Board believes that the reduction in the Company's indebtedness from approximately £3.27m to £nil (other than trade creditors in the ordinary course of business) will improve the profitability of the Company (as a result of servicing lower levels of debt) and will enable the Company to be better placed to pursue future acquisition and/or investment opportunities.

Subject to Shareholder approval, the issue of the New Ordinary Shares as mentioned above will be priced at 37.5 pence per share, which is at a discount of 58 per cent. to the closing market price (as adjusted to take account of the above-mentioned share consolidation) of 90 pence per share on 21 December 2008 (the last trading day prior to the date on which trading in the Company's existing shares was suspended). Whilst it remains subject to the approval of Shareholders, the proposed discount is the lowest that the Company was able to secure.

The Company also requires the approval of Shareholders to transfer the above-mentioned Ebiox Shares, RSL Shares and FAH Shares to the relevant creditors as, for the purposes of section 190 of the 2006 Act, the transfer of Ebiox Shares, RSL Shares and FAH Shares by the Company to certain of those creditors constitutes substantial property transactions. Without approval from Shareholders, such substantial property transactions would otherwise be voidable at the instance of the Company.

John Gunn, Lyndon Gaborit and Gron Ffoulkes-Davies who are all Directors will, if the Capitalisation Resolutions are passed at the AGM, have issued to them (as fully paid shares) some New Ordinary Shares and, in the case of John Gunn only, some of the Ebiox Shares, RSL Shares and FAH Shares forming part of the Capitalisation. Further details of the relevant Directors' participation in the Capitalisation are set out below. Each such Director is a Related Party for the purposes of Rule 13 of the AIM Rules and each of them has agreed not to vote upon the Capitalisation Resolutions at the AGM. John Honey (being the Independent Director) considers, having consulted with Daniel Stewart, (the Company’s nominated adviser), that the Proposals are fair and reasonable so far as the

Shareholders as a whole are concerned. In providing their advice to the Independent Director, Daniel Stewart has taken into account the commercial assessments of the Independent Director.

The following Directors, each being deemed a Related Party under the AIM Rules for the purpose of considering the Proposals, will be issued and allotted New Ordinary Shares pursuant to the Capitalisation as follows:

Director	Number of Existing Ordinary Shares	% of Existing Ordinary Shares in issue	Number of New Ordinary Shares held following implementation of the Proposals	% of Enlarged Share Capital
John Gunn	41,140,581	9.37%	308,729	7.03%
Lyndon Gaborit	1,303,351	0.30%	595,958	13.57%
Gron Ffoulkes-Davies	1,250,000	0.28%	106,333	2.42%

John Gunn, who is one of the Related Parties under the AIM Rules for the purpose of considering the Proposals, will also have 240,628 Ebiox Shares and 5,887 RSL Shares transferred to him or parties connected to him pursuant to the Capitalisation.

The Directors believe that approval of the above-mentioned capitalisation and the other Proposals is necessary to ensure the future survival of the Company. Shareholders should be aware that, if the resolutions to approve the Proposals (and in particular the capitalisation of existing indebtedness) are not passed at the AGM, the Directors believe that the Company will have insufficient financial resources to continue to trade in its current form and may not be able to continue as a going concern. If the Company were to cease to be a going concern, the value attributable to Shareholders would be severely reduced.

If the Proposals are approved:

(a) the holders of the New Ordinary Shares to be issued as part of the Capitalisation would, in aggregate, hold approximately 60.0 per cent. of the Company's enlarged issued share capital;

(b) the Company's proportionate shareholding in Ebiox will reduce from 100 per cent. to 24.3 per cent.;

(c) the Company's proportionate shareholding in RSL will reduce from 100 per cent. to 44.6 per cent.; and

(d) the Company's proportionate shareholding in FAH will reduce from 34.2 per cent. to 9.4 per cent.

Proposed Investing Policy

The Directors anticipate that, if the Proposals are approved, for its immediate future the Group will operate as a holding company for its investments with substantially reduced overheads. Any ongoing capital requirement of the Group will be funded through further fundraisings or further partial or full realisations of the Group's existing investments. AIM Rule 15 states that where the effect of a proposed disposal is to divest an AIM company of all, or substantially all, of its trading business activities, that company will be treated as an 'investing company' and must therefore provide its shareholders with details of its investing policy. Further details of the Company's investing policy are set out below. To be implemented, such policy requires the approval of Shareholders at the AGM.

Following implementation of the Proposals the Company will seek complimentary acquisitions in the healthcare market with a focus on the healthcare and wellness markets. The Company intends to act as a consolidator of smaller quoted and unquoted companies in that sector. With its established shareholder base, access to institutional and private funding and its experienced team, the Directors believe that the Company is well placed to expand by acquiring smaller businesses which have good products or services but which lack the critical mass to gain significant market entry. The creation of a larger listed entity will allow entrepreneurs and business managers the opportunity to combine with a larger entity to provide both diversification of risk and economies of scale.

The Company's experience in restructuring troubled businesses has placed it in good stead to offer such assistance to other businesses. This coupled with the fact that the Company has around £10m of usable tax losses, means that acquisitions can be attractively priced as far as return on capital is concerned. This should provide the Company with a competitive advantage in making suitable acquisitions.

Notwithstanding the current economic climate and the existing financial constraints upon the Group, the Directors remain convinced that the Company has a number of valuable investments in exciting niches of the healthcare market.

Proposed reorganisation of existing share capital

As the Capitalisation will result in a very large number of shares in the Company being in issue, the Company is proposing to consolidate its existing authorised share capital into a smaller number of shares on the basis that every 250 Existing Ordinary Shares with a nominal value of 0.1 pence be consolidated into one New Ordinary Share with a nominal value of 25 pence.

If all of the Proposals are approved, the resultant number of New Ordinary Shares in issue will be 4,392,126.

Board changes

John Honey and Gron Ffoulkes-Davies are proposed to be appointed as directors of the Company with immediate effect, subject to checking the suitability of each proposed director, and the renewal of their appointment will be proposed at the AGM.

The new directors bring a broad range of skills and experience to the Company, will provide a better balance to be brought to the Board and improve corporate governance.

John Charles Honey (54), Executive Chairman of Ebiox, brings a wealth of experience in the disinfectant and decontamination industry as well as senior management roles in marketing and general management. John previously served as Senior Vice President of Reckitt Benckiser plc, responsible at various times during his 29 year tenure as executive responsible for Reckitt's global cleaning and disinfectant businesses, including Dettol, Lysol and Cilit Bang brands and its worldwide over the counter business which included Boots Healthcare International (which was acquired for £1.9bn). He retired from Reckitt's in 2007 to pursue private interests. John is currently a director of Ely Capital plc.

Goronwy Philip Ffoulkes-Davies (44), Chief Financial Officer & Company Secretary, qualified as a Chartered Accountant with Arthur Andersen & Co. Following qualification, he was Group Financial Controller of Limelight Group plc during the time of its main market listing on the London Stock Exchange. Previously he was Group Finance Director of AIM quoted Tepnel Life Sciences plc, during a period of substantial growth and international expansion through acquisition.

There is no further information required to be provided under the AIM rules in connection with these appointments.

Proposed adoption of new articles of association

In common with other quoted companies, the Company is also proposing to adopt new articles of association, primarily to take account of changes in English company law brought about by the implementation of the 2006 Act. Further details of the proposed changes are included in the Circular being sent to shareholders.

Notice of Annual General Meeting

The annual general meeting of the Company will be held at its registered office at Healthcare Enterprise House, 17 Chesford Grange, Woolston, Warrington WA1 4RQ on 15 July 2009 at 10 a.m.

A circular summarising the Proposals and detailing the resolutions being proposed to give effect to the Proposals is being posted to shareholders. Further copies of the circular together with the Company's Annual Report for the 16 months ended 30 June 2008 will become available on the Company's website at www.hcegroup.com.

Following this announcement and release of interim Results for the 6 months ended 31 December 2008, the Company expects that trading in Company's shares on AIM will be resumed with effect from 7:30 a.m. on Friday 19th June 2009.

Further Enquiries:

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Notes to Editor:

Healthcare Enterprise Group plc companies include Ebiox Limited, a specialist disinfectant and decontamination company which has a range of proprietary products patented and approved for sale in multiple world markets; Reproductive Sciences Limited which invests in medical devices product development, particularly in the area of women's health; and investments in healthcare products and services.