Beijing Airdoc Technology Co., Ltd.
北京鷹瞳科技發展股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 2251)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DISCLOSEABLE TRANSACTION ACQUISITION OF EQUITY INTEREST IN A TARGET COMPANY

Reference is made to the announcement the ("**Announcement**") of Beijing Airdoc Technology Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") dated May 19, 2023 in relation to acquisition of 70% equity interest in the Target Company from the Industry Fund by the Company pursuant to the Equity Transfer Agreement (the "**Acquisition**"). Capitalized terms used herein shall have the same meanings as defined in the Announcement unless the context requires otherwise.

The Board would like to provide additional information in relation to the Acquisition as follows:

BASIS OF CONSIDERATION

With reference to the Announcement, the total consideration of the Acquisition is RMB182 million (the "**Consideration**"). The Consideration was arrived at after arm's length negotiations with reference to the third-party valuation conducted by Asia-Pacific Consulting and Appraisal Limited, an independent valuer of the Company (the "**Valuer**").

(a) Third-Party Valuation

The valuation report (the "**Valuation Report**") of the market value of the 70% equity interest in the Target Company as of December 31, 2022 (the "**Valuation Date**") prepared by the Valuer, which is registered as a firm regulated by the Royal Institution of Chartered Surveyors.

The Valuation Report was prepared based on International Valuation Standards issued by the International Valuation Standards Council. The methodology adopted in the preparation of the Valuation Report is market approach. According to the Valuation Report, the market value of the 70% equity interest in the Target Company as of the Valuation Date is reasonably stated approximately at the amount of RMB190,500,000. Details on the Valuation Report are as followed:

Valuation Methodology

Given the characteristics of the Target Company, there are substantial limitations for the income approach and the cost approach for valuing the underlying asset due to (i) income approach result would be more dependent on long term financial forecast internally prepared by the management, which is unobservable input and requires subjective assumptions; and (ii) the cost approach does not directly incorporate information about the economic benefits contributed by the subject business. In addition, the market approach's benefits include its simplicity, clarity, speed and the need for few assumptions. It also introduces objectivity in application as publicly available inputs are used.

In view of the above, in this valuation exercise, the market value of the 70% equity interest in the Target Company was developed through the application of the market approach technique known as the guideline public company method.

This method requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market value of the Target Company. In order to reflect the latest operation status of the Target Company, it is considered that the suitable multiples in this valuation are P/S ratio and EV/S ratio which are derived by the market capitalization and the enterprise value ("**EV**") divided by revenue for last twelve months ("**LTM**") respectively as of the Valuation Date to determine the market value of the Target Company and then taken into account of market liquidity discount and control premium as the appropriate adjustment.

Valuation Assumptions

In determining the market value of the equity interest in the Target Company, the following key assumptions were made:

1) all relevant legal approvals and business certificates or licenses to operate the business in which the Target Company and its subsidiaries operate or intend to operate have been or would be officially obtained and renewable upon expiry;

2) there will be no major change in the political, legal, economic and social environment in which the Target Company and its subsidiaries operate or intend to operate;

3) interest rates and exchange rates in the localities for the operation of the Target Company and its subsidiaries will not differ materially from those presently prevailing;

4) it is assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

5) the financial and operational information about the Target Company and its subsidiaries provided by the Company is accurate and it is relied to a considerable extent on such information in arriving at the opinion of value; and

6) there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value.

Selection Criteria for Comparables

In determining the price multiple, the initial selection criteria include the followings:

1) The comparable companies are publicly listed;

2) The comparable companies mainly engaged in production and sales of ophthalmic medical device for correction and control in ophthalmic diseases and vision problems;

3) P/S ratio and EV/S ratio as of the Valuation Date of the comparable companies are available.

Based on the abovementioned selection criteria as sourced from Capital IQ, a reliable third-party database service provider designed by Standard & Poor's (S&P), an exhaustive list of comparable companies satisfying the above criteria was obtained on a best effort basis and five comparable companies were identified by the Valuer. The details of these comparable companies are shown below:

Stock Code	**Company Name**	**Market Capitalization** *(RMB MM)*	**EV*** *(RMB MM)*	**Revenue** *(RMB MM)*	**P/S Ratio**	**EV/S Ratio**
SHSE: 688050	Eyebright Medical Technology (Beijing) Co., Ltd.	24,264	23,637	579	41.87**	40.79**
SZSE: 300595	Autek China Inc.	31,945	29,004	1,525	20.94**	19.01**
NasdaqGM: STAA	STAAR Surgical Company	16,138	14,678	1,962	8.23	7.48
NYSE: GKOS	Glaukos Corporation	14,363	13,871	1,951	7.36	7.11
NasdaqGM: RXST	RxSight, Inc.	2,423	1,970	338	7.17	5.83

Notes:

* *Enterprise Value = market capitalization + net debt + minority interest*

** *Based on the data above, it is noticed that the P/S and EV/S ratio of SHSE: 688050 and SZSE: 300595 vary substantially from the other comparable companies, so SHSE: 688050 and SZSE: 300595 are considered as outliers, and not used as comparable companies in this exercise*

Adjustments Made to the Valuation with Basis

1) *Discount for lack of marketability ("**DLOM**")*

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

The Valuer therefore applied DLOM to calculate the valuation of the Target Company as it is not a listed company.

The Valuer assessed the DLOM using the put option method, which is one of the most commonly used theoretical models. The concept is that when comparing a public share and a private share, holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. By using the put option method and based on the above assumptions, the estimated DLOM is around 20%.

2) *Control premium*

Control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest a business enterprise that reflects the power of a control.

Upon completion of the Acquisition, the Company will directly hold 70% equity interest in the Target Company which is a controlling interest in the Target Company. Therefore, the Valuer has also taken into account the control premium to calculate the valuation of the Target Company.

The control premium adopted in this valuation is 25%, with reference to the control premium of closed transactions in medical device industry within 5 years prior to the Valuation Date.

Calculation of Valuation Result of the Target Company

Under the guideline public company method, the market value depends on the market multiples of the comparable companies, sourced from Capital IQ, as of the Valuation Date and the Valuer has also taken into account of DLOM and control premium of the Target Company.

The calculation of the market value of the equity interest in the Target Company as of the Valuation Date is as follows:

	As of December 31, 2022 *Unit: RMB'000*
Model-P/S Ratio:	
Median P/S Ratio	7.36
Revenue for LTM ended 31 December 2022 of the Target Group	36,980
Equity Value of the Target Company	272,173
Adjusted DLOM at 20%	(1–20%)
Adjusted Control Premium at 25%	(1+25%)
100% Equity Value of the Target Company	272,173
70% Equity Value of the Target Company *(rounded)*	191,000
Model-EV/S Ratio:	
Median EV/S Ratio	7.11
Revenue for LTM ended 31 December 2022 of the Target Group	36,980
Enterprise Value of the Target Company	262,928
Less: Net Debt	–8,891*
Less: Minority Interest	—
Equity Value of the Target Company	271,819
Adjusted DLOM at 20%	(1–20%)
Adjusted Control Premium at 25%	(1+25%)
100% Equity Value of the Target Company	271,819
70% Equity Value of the Target Company *(rounded)*	190,000
Estimated 70% Equity Value of the Target Company calculated by the average of result of Model-P/S Ratio and Model-EV/S Ratio	190,500

Note: Net Debt = total Loan/borrowing – total cash & short-term investment*

(b) Directors' Assessment of the Consideration

The Board considered that the Consideration is fair and reasonable due to the following reasons:

1) in assessing the fairness of the Consideration, the Company considered it was appropriate to refer to the abovementioned valuation analysis; and

2) as disclosed in the Announcement, the Acquisition can (i) promote the Company's overall development strategy to leverage the Target Group's technologies in development and the product pipeline and enhance the penetration of the Group's existing products into medical scenarios including hospitals and body check centers; and (ii) bring significant synergistic effects to the current business of the Group, as the Company is able to enhance the Target Group's existing products by introducing the Company's AI detection and diagnosis technologies and thereby extend the Group's current business from AI detection and diagnosis to AI-based medical treatment and further strengthen the Group's current product portfolio.

Based on the foregoing, the Directors (including the independent non-executive Directors) considered the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Save as disclosed above, all other information and content as set out in the Announcement remain unchanged and shall continue to be valid for all purposes, while this announcement is supplemental to and should be read in conjunction with the Announcement.

By order of the Board
Beijing Airdoc Technology Co., Ltd.
Mr. ZHANG Dalei
Chairman of the Board

Hong Kong, June 6, 2023

As of the date of this announcement, the Board comprises Mr. ZHANG Dalei, Dr. CHEN Yuzhong, Mr. CHEN Hailong and Ms. WANG Lin as executive directors; Mr. CHEN Xin and Ms. ZHU Tingyao as non-executive directors; and Mr. NG Kong Ping Albert, Dr. WU Yangfeng and Dr. HUANG Yanlin as independent non-executive directors.