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ClouDr Group Limited
智雲健康科技集團*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 9955)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO (1) TERMINATION OF DISCLOSEABLE TRANSACTIONS (2) A NEW DISCLOSEABLE TRANSACTION AND (3) IMPAIRMENT RELATED TO STRATEGIC DIVESTMENT AND ONE-OFF SPECIFIC PROVISION

Reference is made to the announcement of ClouDr Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated August 27, 2025 (the "**Announcement**") in relation to, among the other things, the unaudited interim results of the Group for the six months ended June 30, 2025 (the "**Reporting Period**"), the termination of certain discloseable transactions, and the entering into of a new discloseable transaction. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as defined in the Announcement.

This announcement is made to provide the Company's shareholders and potential investors with additional details regarding (i) the termination of the Xinwange Medical Share Transfer Agreement and the Wandi Biotech Share Transfer Agreement (collectively, the "**Original Agreements**"); (ii) the commercial rationale and basis for terminating the Jiangsu Chengsheng Share Transfer Agreement and entering into the Supplemental Agreement for the New Disposal; and (iii) the basis for the significant impairments and one-off provision recognized during the Reporting Period, which were the primary contributors to the reported net loss.

(1) SUPPLEMENTARY INFORMATION ON TERMINATION OF THE ORIGINAL AGREEMENTS

Background

As disclosed in the announcement of the Company dated March 30, 2025, the Group entered into several agreements to dispose of its interests in certain subsidiaries as part of a strategic transformation to focus on its core AI-driven P2M business. These included the Original Agreements with Ms. Zhu for the disposal of interests in Xinwange Medical and Wandi Biotech, and the Jiangsu Chengsheng Share Transfer Agreement with Shanghai Lueyu.

As disclosed in the Announcement dated August 27, 2025, Ms. Zhu failed to perform her payment obligations, leading to the termination of the Original Agreements. Subsequently, the Group entered into the Supplemental Agreement with Shanghai Lueyu and Hangzhou Bujing for the New Disposal, which involved the disposal of the consolidated assets of Xinwange Medical, Jiangsu Chengsheng, and Jiangsu Jiutai (the "**Disposal Group**").

Termination of the Original Agreements and Action Plan

The primary reason for the termination of the Original Agreements was a material breach by Ms. Zhu, who failed to pay the total consideration of RMB35.0 million for the disposals of interests in Xinwange Medical and Wandi Biotech by the stipulated long-stop date. To the best of the Board's knowledge, having made reasonable enquiries, the failure was due to Ms. Zhu lacking the necessary funds to complete the transactions.

The Company wishes to clarify that the Group has not waived its right to seek compensation from Ms. Zhu for losses incurred due to her breach of contract. The Group is actively pursuing the matter and has formulated a detailed action plan as follows:

1. Between August 2025 and October 2025, the Company, together with its PRC legal advisors, will finalize the quantum of the claim and its legal strategy. The damages being assessed include, but are not limited to: (i) direct administrative and legal costs incurred in negotiating, drafting, and subsequently terminating the Original Agreements; and (ii) a claim for the loss in value of the assets (Xinwange Medical and Wandi Biotech) between the signing of the Original Agreements and the subsequent disposal, to the extent this loss was exacerbated by Ms. Zhu's failure to complete the transaction in a timely manner.

2. Following this assessment, by the end of November 2025, the Company will make a final attempt to reach an amicable settlement with Ms. Zhu based on the finalized claim amount. Should a satisfactory settlement not be reached by 31 December 2025, the Company will formally file a lawsuit against Ms. Zhu in the appropriate court in the PRC to recover all quantifiable losses and associated costs.

3. From 2026 and onwards, the Company will actively pursue the legal proceedings and, upon obtaining a favourable judgment, will take all necessary steps to enforce it and recover the awarded damages.

The Company is committed to taking all appropriate actions to protect its interests and will provide updates on any material developments in accordance with the Listing Rules.

(2) SUPPLEMENTARY INFORMATION ON RATIONALE FOR NEW DISPOSAL AND BASIS OF CONSIDERATION

The Company hereby provides a comprehensive explanation of the commercial rationale for terminating the original Jiangsu Chengsheng Share Transfer Agreement and entering into the Supplemental Agreement for the New Disposal at a consideration of RMB100,000.

A. Strategic Decision in Deteriorating Operating Environment

The decision to divest from these subsidiaries was driven by the Company's strategic transformation, as disclosed in the 2024 Annual Report, to exit low-margin businesses and focus on its high-growth, AI-driven P2M strategy. The operating environment for the Disposal Group's medical consumables business deteriorated rapidly due to the accelerating impact of the Volume-Based Procurement ("**VBP**") policy.

The VBP policy, initiated by the NHSA (國家醫療保障局), is a large-scale tendering process where government-related authorities offer significant purchase volumes in exchange for highly competitive pricing from a limited number of suppliers. This model has fundamentally changed the market dynamic from smaller, hospital-level tenders to high-stakes, multi-province tenders, resulting in immense price pressure across the industry, with some recent VBP tenders leading to price reductions of over 70%.

This development rendered the business models of the Disposal Group entities unviable, as they could no longer participate in tenders without incurring guaranteed losses. In response, to prevent further operating losses and inventory write-downs, the Company made the necessary business decision to cease all

substantive business operations of the Disposal Group entities in May 2025. This changed their status to non-operational entities valued based on their residual assets and liabilities.

B. Commercial Rationale and Basis of Consideration for the Supplemental Agreement

Following the default by Ms. Zhu, the Group was required to find an alternative solution for the assets and liabilities of Xinwange Medical. This situation provided an opportunity for management to seek a more comprehensive and commercially advantageous resolution for all the non-operational entities intended for disposal.

The re-negotiated "bundled" deal with Shanghai Lueyu and Hangzhou Bujing under the Supplemental Agreement was considered preferable for the following reasons:

1. **Removal of Significant Liabilities**: The most critical benefit of the New Disposal was the removal of over RMB29.0 million in short-term liabilities (including approximately RMB28.5 million in bank loans and RMB1.2 million in employee salaries payable) from the Group's consolidated balance sheet as of June 30, 2025. The alternative, deregistration and liquidation, would have legally obliged the Group to first settle these debts, resulting in a significant cash outflow. The New Disposal allowed the Group to avoid this payment, thereby directly protecting its liquidity.

2. **Certainty of a Clean Exit**: The New Disposal allowed the Group to achieve a swift, clean, and final exit from three non-operational entities in a single, efficient transaction. This resolved the uncertainty created by Ms. Zhu's default and allowed management to fully focus resources on the Company's core P2M strategy.

The consideration of RMB100,000 was determined after arm's-length negotiations and reflects the financial reality of the Disposal Group. As a result of the business cessation and subsequent asset impairments, the unaudited consolidated net asset value (NAV) of the Disposal Group as at June 30, 2025 was nil. The consideration of RMB100,000 represents a nominal premium to the nil NAV. The commercial value of the transaction to the Company was not the cash consideration received, but the removal of over RMB29 million in liabilities.

Given that the Disposal Group entities were non-operational, not expected to generate future cash flows, and burdened with significant liabilities, the Company concluded that an asset-based approach was the only appropriate valuation method.

Reasons for and Benefits of the Transaction

The Directors, including the independent non-executive Directors, are of the view that the termination of the Original Agreements and the entering into of the Supplemental Agreement were fair and reasonable and in the best interests of the Company and its shareholders as a whole. The New Disposal is a decisive execution of the Company's publicly stated strategy to divest from low-margin, non-core businesses and sharpen its focus on the high-growth, AI-driven P2M business. The transaction protects the Company's balance sheet by avoiding a significant cash outflow to settle liabilities and prevents future operating losses and administrative costs associated with non-operating entities.

In view of the above, the Directors consider these actions to be a prudent and strategically vital exit from non-viable businesses and their associated liabilities, thereby protecting the Company's financial position and serving the best long-term interests of its shareholders.

(3) SUPPLEMENTARY INFORMATION ON IMPAIRMENT RELATED TO STRATEGIC DIVESTMENT AND ONE-OFF SPECIFIC PROVISION

As detailed in the Group's 2024 Annual Report and the Announcement, the Group is undergoing a strategic transformation to focus on its high-value, AI-driven P2M business and divest from businesses with lower strategic relevance and profitability. The key catalyst for this divestment was the escalating risk from the national VBP policy.

The VBP policy has changed the procurement dynamics for medical products in the PRC, shifting from smaller hospital-level tenders to high-stakes, multi-province tenders that create immense price pressure, with recent tenders resulting in price reductions of over 70%. This rendered the business models of the Disposal Group, which were engaged in the sale of medical supplies and consumables, commercially unsustainable. In response, to prevent future operating losses, the Group ceased all substantive business operations of the Disposal Group in May 2025. This necessary action led to the following material impairments, which were determined without reference to external valuation reports:

- **Impairment on Inventories**: This impairment pertains entirely to inventories held by the Disposal Group. In accordance with IAS 2, *Inventories*, inventories are measured at the lower of cost and net realisable value ("**NRV**"). The VBP policy led to a significant decline in the market prices of the related medical products, causing their NRV to fall sharply below their carrying cost. For example, a major inventory item, "Product X," with a carrying value of approximately RMB40 million, became uncompetitive after hospitals began

procuring the product at the lowest VBP bid price in April 2025. This left the product in inventory for a duration approaching its shelf life, making a successful sale through normal channels highly unlikely. The Group therefore concluded that the carrying amount of these inventories exceeded their NRV and recognized the impairment loss accordingly.

- **Impairment on Prepayments**: This impairment relates to advance, non-refundable payments made by the Disposal Group to suppliers for product purchases. In accordance with IAS 36, *Impairment of Assets*, the recoverable amount of these prepayments is linked to the economic benefit of the products to be received. As the VBP policy drastically reduced the expected future selling prices of these contracted products, the Group estimated that the future economic benefits from selling them would be significantly lower than the prepayment amounts. An impairment loss was therefore recognized for the shortfall.

- **Expected Credit Loss ("ECL") on Receivables**: This impairment relates to trade and other receivables of the Disposal Group. In accordance with IFRS 9, *Financial Instruments*, the Group recognizes a loss allowance for ECL. The escalating VBP policy risks severely impacted the business of the Disposal Group's customers, leading to their inability to settle outstanding receivables. This constituted observable evidence of credit impairment (significant financial difficulty of the debtor). Consequently, the Group determined that these receivables were credit-impaired and recognized a corresponding ECL provision.

One-off Specific Provision relating to a Supplier

As provided in the Announcement, the Group recognized a one-off specific provision related to a business whose counterparty is under major lawsuits or judicial investigations. This provision, comprising an ECL on trade and other receivables of RMB158.1 million and an impairment on prepayments of RMB25.3 million, relates to the Group's out-of-hospital value-added solutions business and is linked to a single independent third-party supplier (the "**Supplier**").

The business was initiated because the Supplier historically had a stable supply of high-demand pharmacy products. The provision arises from the Supplier's inability to repay its debts or supply the contracted products. The sequence of events leading to the Company's decision to recognize this one-off specific provision between December 2024 and July 2025. During this period, the Group first noted a slowdown in repayments and implemented robust control measures, including weekly on-site visits, engaging a third-party firm for financial due diligence, and negotiating a formal repayment agreement. These active collection efforts were partially successful, with the Group recovering over RMB20 million.

The situation escalated on August 7, 2025, when the Group was informed that the person in charge of the Supplier had been subject to lawsuits and that the Supplier was no longer operational. In response, between August 8, 2025 and August 20, 2025, the Group immediately filed a police report (which was formally accepted for investigation on August 14, 2025) and initiated a comprehensive internal assessment. At this stage, the ultimate recoverability and precise financial loss were still unknown.

To resolve this uncertainty, an immediate on-site visit was conducted by the heads of the business and finance departments between August 21, 2025 and August 25, 2025. The investigation revealed that the Supplier's warehouse staff had been significantly reduced and goods were unaccounted for, making the prospect of any meaningful further recovery minimal. Upon receiving this definitive report in late August 2025, the Company's management concluded that the likelihood of recovery was remote and made the final decision to adopt the most prudent approach and recognize a full provision.

By order of the Board
ClouDr Group Limited
Kuang Ming
Chairman, Executive Director and
Chief Executive Officer

Hong Kong, October 21, 2025

As at the date of this announcement, the Board comprises Mr. Kuang Ming and Ms. Zuo Yinghui as the executive Directors, and Dr. Hong Weili, Mr. Zhang Saiyin and Mr. Ang Khai Meng as the independent non-executive Directors.

* *For identification purpose only*