THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kaisa Health Group Holdings Limited (the "**Company**"), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

Kaisa Health Group Holdings Limited
佳兆業健康集團控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 876)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; (2) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER; (3) PROPOSED SHARE CONSOLIDATION; (4) PROPOSED CHANGE IN BOARD LOT SIZE; AND NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

軟庫中華 SBI China

Financial Adviser to the Company

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
滾 博 資 本 有 限 公 司

Capitalised terms used in this cover shall have the same meanings as defined in the section headed "Definitions" in this circular.

A letter from the Board containing information on, among other things, the Acquisition and the Share Consolidation is set out on pages 9 to 67 of this circular. A letter from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition is set out on pages 68 to 69 of this circular. A letter of advice from SBI Capital, the Independent Financial Adviser, in respect of the Acquisition to the Independent Board Committee and the Independent Shareholders is set out on pages 70 to 130 of this circular.

A notice convening the SGM to be held at Conference Room Luxe Lab, 20/F., Office Plus @Sheung Wan, Nos. 93-103 Wing Lok Street, Sheung Wan, Hong Kong on Monday, 22 June 2026 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM (or any adjournment thereof) is also enclosed.

Whether or not you are able to attend the SGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Branch Share Registrar and Transfer Office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude the shareholders of the Company from attending and voting in person at the meeting if they so wish and in such event, the form of proxy shall be deemed to be revoked.

2 June 2026

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"22-Province Alliance Centralized Procurement System (Led by Guangdong Province)"	the provincial-level alliance procurement of pharmaceuticals, jointly initiated by Guangdong and 21 other provincial-level administrative regions, which is a centralized volume-based procurement model for drugs with high clinical usage and high procurement costs. Pharmaceutical distributors compete through negotiation or bidding, with the goal of reducing drug prices under government guidance. All public medical institutions within the alliance region are required by policy to allocate no less than 70-80% of their market share to the successful bidders;
"Acquisition"	the acquisition of the entire issued share capital of the Target Company by the Company from the Vendor and other transactions in connection with such acquisition including the allotment and issue of the Consideration Shares pursuant to the terms and conditions of the Agreement;
"Agreement"	the conditional sale and purchase agreement dated 18 March 2026 entered into between the Company as purchaser and the Vendor as vendor for the Acquisition;
"Announcement"	the announcement of the Company dated 18 March 2026 in relation to, among others, the Acquisition;
"associate"	has the meaning ascribed to it under the Listing Rules;
"BGES Consulting"	BGES Consulting, a market research firm whose core business involves publishing industry research reports covering various fields. Its research areas are extremely broad, including industry research and analysis in sectors such as healthcare;
"Board"	the board of the Company;
"Business Day"	a day on which licensed banks are generally open for business in Hong Kong (excluding Saturdays, Sundays, Hong Kong public holidays and any weekday on which a tropical cyclone warning No. 8 or above or a "black" rain storm warning signal is hoisted any time between 9:00 a.m. and 5:00 p.m.);
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC;

"CCASS Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time;
"Change in Board Lot Size"	the change in board lot size of the Shares for trading on the Stock Exchange from 10,000 Existing Shares to 2,000 Consolidated Shares;
"Company"	Kaisa Health Group Holdings Limited 佳兆業健康集團控股有限公司, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 876);
"Completion"	completion of the Acquisition;
"Completion Date"	the third Business Day following the date on which the Conditions Precedent (other than the Conditions Precedent in paragraphs (g) to (j) as set out in the section headed "Conditions Precedent" in the Letter from the Board section of this circular) shall be fulfilled or (if applicable) waived, or such other date as may be designated by the Company in accordance with the Agreement, or such other date as the Company may notify the Vendor in writing;
"Conditions Precedent"	the conditions precedent to Completion;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	the total consideration in the amount of RMB21,603,729 (equivalent to approximately HK$24,412,214) payable by the Company in respect of the Acquisition;
"Consideration Share(s)"	2,789,967 new Consolidated Share(s) (assuming the Share Consolidation having taken effect) or 139,498,364 new Existing Share(s) (assuming the Share Consolidation not having taken effect) to be allotted and issued by the Company to the Vendor to settle the Consideration upon Completion;
"Consolidated Share(s)"	ordinary share(s) of the Company of HK$0.0625 each immediately after the Share Consolidation having become effective;
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules;
"Dental Business"	has the meaning given to it in the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" in the Letter from the Board section of this circular;
"Director(s)"	the director(s) of the Company;

"Dongfang"	Dongfang Yiyao 東方醫藥, a professional pharmaceutical marketing website affiliated with the China Pharmaceutical Marketing Alliance, which primarily provides e-commerce services such as product marketing and information exchange for the pharmaceutical industry;
"Dongguan Chenghe"	Chenghe Industrial Development (Dongguan) Co., Ltd. (誠合實業發展（東莞）有限公司), a company established in the PRC with limited liability, which holds 100% equity interest of Kaisa Healthcare Investment;
"Enlarged Group"	the Group as enlarged by the Target Group;
"Existing Businesses"	has the meaning given to it in the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" in the Letter from the Board section of this circular;
"Existing Share(s)"	ordinary share(s) of the Company of HK$0.00125 each prior to the Share Consolidation having become effective;
"Financial Adviser" or "Rainbow Capital"	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Company;
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures;
"Group"	the Company and its subsidiaries prior to Completion;
"Healthcare Business"	has the meaning given to it in the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" in the Letter from the Board section of this circular;
"HKFRSs"	Hong Kong Financial Reporting Standards;
"HKSCC"	Hong Kong Securities Clearing Company Limited;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	the independent board committee, comprising all three independent non-executive Directors, established by the Board to advise the Independent Shareholders in connection with the Acquisition;

"Independent Financial Adviser" or "SBI Capital"	SBI China Capital Hong Kong Securities Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition;
"Independent Shareholders"	the Shareholder(s) other than Shareholders who have a material interest in the resolutions to be passed at the SGM and must abstain from voting on the resolutions under the Listing Rules;
"IQVIA"	IQVIA HOLDINGS INC., a company incorporated in Delaware and the shares of which are listed on the New York Stock Exchange (NYSE: IQV), which is a global provider of advanced analytics, technology solutions, and clinical research services to the life sciences industry;
"Issue Price"	assuming the Share Consolidation having taken effect, HK$8.75 per Consideration Share, and assuming the Share Consolidation not having taken effect, HK$0.175 per Consideration Share;
"Kaisa Group"	Kaisa Group Holdings Ltd. (佳兆業集團控股有限公司*), an exempted company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1638);
"Kaisa Healthcare Investment"	Kaisa Healthcare Investment (Shenzhen) Co., Ltd.* (佳兆業醫療投資（深圳）有限公司), a company established in the PRC with limited liability which directly holds a 54.84% equity interest in the Project Company;
"Kaisa Shenzhen"	Kaisa Group (Shenzhen) Co., Ltd.* (佳兆業集團(深圳)有限公司), a company established in the PRC with limited liability;
"Latest Practicable Date"	29 May 2026, being the latest practicable date prior to the printing of this circular, for ascertaining certain information for inclusion in this circular;
"Listing Committee"	the Listing Committee of the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Stop Date"	31 December 2026, or such later date as agreed between the Vendor and the Company in writing;
"Management"	the management of the Target Group;

"Medical Insurance Catalog"	the National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《國家基本醫療保險、工傷保險和生育保險藥品目錄》), which was promulgated by the NHSA and the Ministry of Human Resources and Social Security and took effect on November 27, 2024 and revised on January 6, 2025, and which sets forth the categories, prices, reimbursement rates, and scope of reimbursement eligible for national reimbursement, and is adjusted once a year;
"Menet"	Menet (米內網), a leading platform for pharmaceutical and healthcare information, providing comprehensive pharmaceutical and healthcare information to professionals in the pharmaceutical industry, including pharmaceutical news, recruitment, R&D, exhibitions and data;
"Minsheng Bank"	China Minsheng Banking Corporation Limited, Shenzhen Branch;
"Minsheng Bank Guarantees"	has the meaning given to in the section headed "Financial Guarantees and Key Liabilities of the Target Group" in the Letter from the Board section of this circular;
"Minsheng Bank Loan"	has the meaning given to in the section headed "Financial Guarantees and Key Liabilities of the Target Group" in the Letter from the Board section of this circular;
"Mr. Kwok"	Mr. Kwok Ying Shing, an executive Director and an executive director of Kaisa Group;
"Ms. Chan"	Ms. Chan Nog, the spouse of Mr. Kwok;
"National Essential Drug List"	the National Essential Drug List (國家基本藥物目錄) promulgated by the National Health Commission and National Administration of Traditional Chinese Medicine, which is a list of essential drugs primarily intended to meet basic medical treatment needs, with appropriate dosage forms, reasonable prices, and guaranteed supply. The allocation requirements (being the proportion of essential drugs used by the hospital as compared to the total number of drugs used by the hospital) imposed by the National Health Commission on public hospitals of different levels are: no less than 90% for primary hospitals, no less than 80% for secondary hospitals, and no less than 60% for tertiary hospitals;
"National Key Monitoring List"	National Key Monitoring List (國家重點監控目錄), the list published by the National Health Commission, which serves as a regulatory tool for "restricted use";
"NHSA"	the National Healthcare Security Administration (國家醫療保障局);

"NMPA"	the National Medical Products Administration (國家藥品監督管理局);
"PRC"	the People's Republic of China;
"Project Business"	the business conducted by the Project Group, details of which are set out in the section headed "INFORMATION ON THE TARGET GROUP – Project Business" in the Letter from the Board section of this circular;
"Project Company"	青海製藥有限公司 (Qinghai Pharmaceutical Co. Ltd.*), a company established in the PRC with limited liability;
"Project Group"	the Project Company and its subsidiary(ies);
"Reporting Accountant"	ZSZH (HK) Fuson CPA Limited (formerly known as SFAI (HK) CPA Limited);
"RMB"	Renminbi, the lawful currency of the PRC;
"Ruihong Guarantee"	has the meaning given to in the section headed "Financial Guarantees and Key Liabilities of the Target Group" in the Letter from the Board section of this circular;
"Ruihong Judgment"	the judgment handed down by the Intermediate People's Court in Shenzhen that, among others, Kaisa Healthcare Investment shall bear joint responsibility as guarantor under the Ruihong Guarantee;
"Ruihong Real Estate"	Shenzhen Ruihong Real Estate Development Co., Ltd* (深圳市睿鴻置業發展有限公司), a company established in the PRC with limited liability and a creditor of the Vendor and/or its subsidiaries;
"Sale Shares"	the entire issued share capital of the Target Company;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company to be convened to approve, among others, the Acquisition, the proposed grant of the Specific Mandate, the allotment and issue of the Consideration Shares and the Share Consolidation in accordance with the Listing Rules;
"Share(s)"	the Existing Share(s) or the Consolidated Share(s), as the case may be;
"Share Consolidation"	the proposed consolidation of every fifty (50) Existing Shares into one (1) Consolidated Share;
"Shareholder(s)"	holder(s) of the Share(s);

"Sino Globe"	Sino Globe Limited 誠合有限公司, a company incorporated in Hong Kong with limited liability and is wholly-owned by the Target Company as at the date of the Agreement;
"Specific Mandate"	the specific mandate to be obtained by the Board from the Independent Shareholders at the SGM for the allotment and issue of the Consideration Shares;
"sqm"	square metres;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Company"	Embrace Blossom Limited (崇興有限公司), a company incorporated in the British Virgin Islands with limited liability and is wholly owned by the Vendor as at the Latest Practicable Date;
"Target Group"	the Target Company and its subsidiaries, including the Project Group and the Target Holding Companies;
"Target Holding Companies"	collectively, the Target Company, Sino Globe, Dongguan Chenghe and Kaisa Healthcare Investment;
"Target Holding Companies Financial Obligations"	has the meaning given to in the section headed "Financial Guarantees and Key Liabilities of the Target Group" in the Letter from the Board section of this circular;
"Valuation"	the valuation of the fair value of 100% issued share capital in the Target Company 31 December 2025;
"Valuer"	Hong Kong Appraisal Advisory Limited, an independent professional valuer;
"Vendor"	Profit Vigorous Developments Limited (益旺發展有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Kaisa Group as at the Latest Practicable Date;
"WHO"	the World Health Organization;
"Yaozhi"	Yao Zhi (藥智), a Chinese platform for big data services in the pharmaceutical and healthcare industries which integrates global pharmaceutical intelligence and boasts over 200 specialized databases covering the entire value chain, including research and development, production, and marketing;

"Ying Hua Holdings"	Ying Hua Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a company wholly owned by KS Holdings 2 Limited, which is the trustee of a discretionary trust of which Mr. Kwok is the founder;
"Zhiyanzhan"	Zhiyanzhan Industry Research Institute (智研瞻產業研究院), a consulting firm specializing in market research and industry analysis in China; and
"%"	per cent.

For the purpose of this circular, the exchange rate of RMB1.00 = HK$1.13 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

* *The English translation of the Chinese names is included for information purposes only and should not be regarded as their official English translation.*

Kaisa Health Group Holdings Limited
佳兆業健康集團控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 876)

Executive Directors:
Mr. Kwok Ying Shing *(Chairman)*
Mr. Luo Jun *(Vice Chairman)*
Ms. Luo Tingting *(Vice Chairperson)*
Mr. Liu Lihao
Mr. Xie Binhong
Mr. Ye Haoda

Independent Non-Executive Directors:
Dr. Liu Yanwen
Dr. Lyu Aiping
Ms. Li Zhiying

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong:
30/F, The Center
99 Queen's Road Central
Central, Hong Kong

2 June 2026

To the Shareholders

Dear Sir/Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; (2) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER; (3) PROPOSED SHARE CONSOLIDATION; (4) PROPOSED CHANGE IN BOARD LOT SIZE; AND NOTICE OF SPECIAL GENERAL MEETING

1. INTRODUCTION

Reference is made to the announcement of the Company dated 18 March 2026 in relation to the Acquisition, the Share Consolidation and the Change in Board Lot Size. The purpose of this circular is to provide you with information regarding the aforementioned matters, and to give you notice of the SGM to consider and, if thought fit, to approve the resolutions to be proposed at the SGM.

2. THE ACQUISITION

On 18 March 2026, the Company (as purchaser) and the Vendor (as vendor) entered into the Agreement, the principal terms of which are set out below:

Assets to be acquired under the Agreement

The Company conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, subject to the terms and conditions as set out in the Agreement.

As at the date of the Agreement, the Target Company holds the entire issued share capital of Sino Globe, which holds a 99% equity interest of Dongguan Chenghe, which in turn directly holds the entire issued share capital of Kaisa Healthcare Investment, which in turn directly holds a 54.84% equity interest of the Project Company. The Project Company operates the Project Business. Further details of the Project Group and the Project Business are set out in the section headed "INFORMATION ON THE TARGET GROUP" below.

Consideration

The Consideration is RMB21,603,729 (equivalent to approximately HK$24,412,214), which will be fully satisfied by:

(i) assuming the Share Consolidation having taken effect, the allotment and issue of 2,789,967 Consideration Shares at the issue price of HK$8.75 per Consideration Share by the Company to the Vendor upon Completion; and

(ii) assuming the Share Consolidation not having taken effect, the allotment and issue of 139,498,364 Consideration Shares at the issue price of HK$0.175 per Consideration Share by the Company to the Vendor upon Completion.

Basis for the determination of the Consideration

The Consideration was arrived at after arm's length negotiations between the Company and the Vendor with reference to the market value of the 100% equity interest in the Target Company appraised by the Valuer as at 30 November 2025 of approximately RMB21,603,729. A copy of the valuation report as at 30 November 2025 issued by the Valuer is set out in Appendix III to the Announcement.

Each of the Target Holding Companies is an investment holding company with no substantive business; the principal assets held by the Target Group are the Project Group, and the principal business of the Target Group is the Project Business. Therefore, the market value of the Target Company is calculated by adjusting the market value of the Project Group (which has been determined based on the income approach) with the assets and liabilities of the Target Holding Companies which are not related to the Project Group.

The market value of the 100% equity interest in the Target Company appraised by the Valuer as at 31 December 2025 was approximately RMB34,888,996. Details of the Valuation are set out in the section headed "Valuation" of this letter from the Board and a copy of the valuation report issued by the Valuer is set out in Appendix V of this circular. The increase in the valuation is mainly due to the fact that the amount of Target Holding Companies Financial Obligations to be assumed by the Target Holding Companies has decreased, including a decrease in the outstanding principal amount of the Minsheng Bank Loan by RMB20 million, a decrease in the amount under the Ruihong Guarantee by approximately RMB5 million and a decrease in the amount owing by the Target Company to a fellow subsidiary of Kaisa Group by approximately RMB6 million. Details of the Target Holding Companies Financial Obligations as at 31 December 2025 are set out in the section headed "B. FINANCIAL GUARANTEES AND KEY LIABILITIES OF THE TARGET GROUP" on pages 41 to 44 of this letter from the Board.

Taking into consideration the above, the Directors (excluding (i) Mr. Kwok, Mr. Liu Lihao and Ms. Luo Tingting, each an executive Director, and each of whom is an executive director of Kaisa Group, and (ii) the members of the Independent Board Committee who will express their views after having considered the advice of the Independent Financial Adviser) are of the view that the Consideration and the terms and conditions of the Acquisition are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Consideration Shares

Upon Completion, the Company will allot and issue 2,789,967 Consideration Shares (assuming the Share Consolidation having taken effect), or 139,498,364 Consideration Shares (assuming the Share Consolidation not having taken effect) to the Vendor to settle the Consideration in full.

Assuming the Share Consolidation having taken effect, the 2,789,967 Consideration Shares represent: (i) approximately 2.77% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 2.69% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (in each case having taken into account the effect of the Share Consolidation and assuming no other change in the share capital of the Company).

Assuming the Share Consolidation not having taken effect, the 139,498,364 Consideration Shares represent: (i) approximately 2.77% of the existing issued share capital of the Company as at the Latest Practicable Date; and approximately (ii) 2.69% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming no other change in the share capital of the Company).

The Issue Price of HK$8.75 per Consideration Share (assuming the Share Consolidation having taken effect) or HK$0.175 per Consideration Share (assuming the Share Consolidation not having taken effect) was determined based on the average closing price of HK$0.175 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Agreement. The Issue Price was derived after arm's length negotiations between the Company and the Vendor with reference to the prevailing market prices of the Shares, the recent fluctuations in the price of the Shares and the recent market conditions.

The Issue Price (without taking into account the Share Consolidation) represents:

(i) a discount of approximately 10.3% the closing price of HK$0.195 per Existing Share as quoted on the Stock Exchange on the date of the Agreement;

(ii) the average closing price of HK$0.175 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement;

(iii) a discount of approximately 3.9% to the average closing price of HK$0.1821 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Agreement;

(iv) a premium of approximately 107% to the audited net asset value per Existing Share of approximately HK$0.0846 as at 31 December 2024, which is based on the Company's audited consolidated net asset value attributable to the Shareholders of approximately HK$426,491,000 as at 31 December 2024 and the 5,042,139,374 Existing Shares in issue as at the date of the Agreement;

(v) a premium of approximately 105% to the unaudited net asset value per Existing Share of approximately HK$0.0855 as at 30 June 2025, which is based on the Company's unaudited consolidated net asset value attributable to the Shareholders of approximately HK$430,913,000 as at 30 June 2025 and the 5,042,139,374 Existing Shares in issue as at the date of the Agreement; and

(vi) a premium of approximately 122% to the unaudited net asset value per Existing Share of approximately HK$0.0790 as at 31 December 2025, which is based on the Company's unaudited consolidated net asset value attributable to the Shareholders of approximately HK$398,497,000 as at 31 December 2025 and the 5,042,139,374 Existing Shares in issue as at the date of the Agreement.

The Company has not carried out any fund raising on any issue of equity securities in the 12 months immediately preceding the Latest Practicable Date.

Conditions Precedent

Completion is conditional upon the satisfaction (or waiver) of the following conditions:

(a) the Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares) having been approved by more than 50% of the votes cast by the Independent Shareholders at the SGM;

(b) the listing of, and permission to deal in, the Consideration Shares being granted by the Listing Committee;

(c) the Share Consolidation and the Change in Board Lot Size having become effective;

(d) all necessary waivers, consents, approvals, licences, authorizations, permits, orders and exemptions from the relevant governmental or regulatory authorities in connection with the Agreement and the transactions contemplated thereunder have been obtained (if necessary);

(e) the Vendor having issued a written confirmation to the Company (in a form and content satisfactory to the Company) confirming that the Target Group has no other debts other than those disclosed in the Agreement;

(f) the liabilities to be borne by Kaisa Healthcare Investment in relation to the loan dispute among Ruihong Real Estate as lender, Kaisa Shenzhen (a wholly-owned subsidiary of Kaisa Group) as borrower and Kaisa Healthcare Investment as guarantor being not more than RMB100 million (the "**Capped Liabilities**") and the Vendor having provided the Company relevant evidence of the Capped Liabilities in the form and substance satisfactory to the Company;

(g) the warranties given by the Vendor being true and accurate in all material respects;

(h) there being no discovery or knowledge of any unusual operations, major safety incidents, material adverse changes or undisclosed major risks in the business, assets or operations of any member of the Target Group;

(i) no government agency having proposed, enacted any rule, regulation or decision or taken any measures or actions that would prohibit, restrict or materially delay the transactions contemplated by the Agreement;

(j) the Company being satisfied with the results of the due diligence conducted by it and its key officers, employees, agents and professional advisers on the business, operations, assets, financial and legal aspects of each member of the Target Group; and

(k) the Agreement and the transactions contemplated thereunder having been approved by more than 50% of the votes cast by the shareholders of Kaisa Group at an extraordinary general meeting of Kaisa Group, to the extent required by the Listing Rules.

The Company may at any time waive in whole or in part and conditionally or unconditionally any of the foregoing Conditions Precedent (other than the Conditions Precedent in paragraphs (a) to (b), (d) to (f) and (k) which are not waivable in any event). In case Condition Precedent in paragraph (c) is waived, the number of Consideration Shares to be allotted and issued and the Issue Price shall be adjusted accordingly, taking out the effect of the Share Consolidation.

The Vendor shall use its best endeavours to ensure the satisfaction of the Conditions Precedent as soon as possible after the date of the Agreement.

If any of the Conditions Precedent (other than the Conditions Precedent in paragraphs (g) to (j)) is not satisfied or (if applicable) waived on or before the Long Stop Date or any of the Conditions Precedent in paragraphs (g) to (j) is not satisfied or (if applicable) waived on or before the Completion Date, the Company may unilaterally terminate the Agreement. Upon termination of the Agreement, no party to the Agreement shall have liability under the Agreement except for liabilities accrued prior to such termination and the surviving provisions shall continue in force following the termination of the Agreement.

With reference to the Condition Precedent in paragraph (d), as at the Latest Practicable Date, neither the Vendor nor the Company is aware of any requirement for such waivers, consents, approvals, licences, authorizations, permits, orders and exemptions from the relevant governmental or regulatory authorities in connection with the Agreement and the transactions contemplated thereunder other those set out in the Conditions Precedent in paragraphs (a) to (b).

With reference to the Condition Precedent in paragraph (f), the loan dispute relates to a RMB500 million short-term interest bearing loan from Ruihong Real Estate as lender to Kaisa Shenzhen as borrower, with Kaisa Healthcare Investment as guarantor. As at the Latest Practicable Date, the Ruihong Judgment has been handed down by the Intermediate People's Court in Shenzhen that, among others, Kaisa Healthcare Investment shall bear joint responsibility as guarantor under the Ruihong Guarantee.

As at 31 December 2025, the guarantee provided by Kaisa Healthcare Investment in relation to the foregoing debt amounted to approximately RMB131 million. The Vendor shall provide evidence that at least RMB31 million will have been repaid to the custodian account designated by the court, such that the liabilities to be borne by Kaisa Healthcare Investment will be no more than RMB100 million (i.e. the Capped Liabilities) and upon Completion, the liabilities to be taken up by the Group will not be more than RMB100 million (i.e. the Capped Liabilities). Such evidence is expected to be provided by the Vendor to the Company within 180 days of the date of the Agreement and in any event, before Completion. The arrangement on the Capped Liabilities is a commercial arrangement between the parties to the Agreement.

As at the Latest Practicable Date, none of the Conditions Precedent has been fulfilled.

Completion

Completion will take place on the Completion Date.

Upon Completion, the Company will, through the Target Company, hold a 54.84% equity interest of the Project Company. Members of the Target Group (including for the avoidance of doubt, the Project Group) will become subsidiaries of the Company and accordingly, their financial results and positions will be consolidated into the consolidated financial statements of the Company.

A. VALUATION

The market value of the 100% equity interest in the Target Company as at 31 December 2025 amounts to RMB34,888,996. The market value of the Target Company is calculated by adjusting the market value of the Project Group (which has been determined based on the income approach) with the assets and liabilities of the Target Holding Companies, which are not related to the Project Group.

The calculation of the Valuation is set out in appendix 1 to the valuation report set out in Appendix V of this circular and is summarized below:

	RMB
Market Value of 100% equity interest in the Project Company before DLOM	**2,518,804,300**
Less: Minority Interest (45.71%)	(1,151,305,145)
Market Value of the Project Company held by the Target Company before DLOM	**1,367,499,155**
Less: Net liabilities of the Target Holding Companies	(1,323,668,759)
Market Value of 100% equity interest in the Target Company before DLOM	**43,830,396**
Less: Discount on lack of marketability	20.4%
Market Value of 100% equity interest in the Target Company after DLOM	**34,888,996**

Note: Details of the liabilities of the Target Holding Companies are set out in the section headed "FINANCIAL GUARANTEES AND KEY LIABILITIES OF THE TARGET GROUP" in this letter from the Board.

The Valuation constitutes a profit forecast for the purpose of Rule 14.61 of the Listing Rules (the "**Profit Forecast**") and, accordingly, the requirements under Rule 14.60A of the Listing Rules are applicable.

Valuation approaches

For the Valuation, the Valuer has considered three generally accepted approaches, namely income approach, market approach and cost approach. Each of the Target Holding Companies is an investment holding company with no substantive business; and the principal assets held by the Target Group are the Project Group, and the principal business of the Target Group is the Project Business. Therefore, the market value of the Target Company is calculated by adjusting the market value of the Project Company with the assets and outstanding liabilities of the Target Holding Companies which are not related to the Project Company.

The cost approach does not focus on the income the asset generates in the future and does not value those unidentified intangibles' value of a business. For the Valuation, cost approach is considered not appropriate, as it does not directly incorporate information about the economic benefits contributed by the business enterprise. The Project Company is a pharmaceutical company. Pharmaceutical companies generally are asset-light companies with significant values which are not reflected in the balance sheets. Therefore, the cost approach is not an appropriate approach to value the underlying business of the Project Company.

The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the valued assets relative to the market comparable if necessary and appropriate. Assets for which there is an established secondary market may be appraised by this approach. The use of multiples in market approach over-simplifies complex information into just a single value or a series of values, even after adjustments were made. This effectively disregards other factors that affect a company's intrinsic value, such as growth or decline. As such, multiples are unlikely to be a reliable indicator of value and comparisons are not as conclusive. The Project Company is still in a high growth stage, with historical revenue growth of 9% in 2024 and 7% in 2025 mainly due to an overall increase in the demand for and sales of the products and increase in the prices of some of the products such as nalorphine products, opiate powder, dihydrocodeine tartrate and compound licorice tablets. Such growth rate is substantially higher than the projected CPI growth in the PRC of around 2% based on data from the Organization for Economic Co-operation and Development (OECD). Taking into account the foregoing, the market approach may not be the best method to fully reflect the actual situation currently undergoing by the Project Company, as the market approach does not fully take into account the future economic benefits of the Project Company. Therefore, the Valuer considered that market approach is not appropriate.

Considering that the income approach can reflect the overall profitability of the Project Company as a going concern, which includes the value of the resources and assets not recognized in the financial statements, the Valuer adopted the income approach through the application of discounted cash flow ("**DCF**") method for the valuation of market value of 100% equity interest in the Project Company.

The DCF method is the most fundamental and prominent method of the income approach. Under the DCF method, the forecasted cash flows are discounted back to the valuation date, resulting in a present value of the asset. The Valuer has adopted the DCF method under the income approach based on the financial forecast and supporting explanations provided by the Management. It has discounted the Free Cash Flow to Firm ("**FCFF**"), being cash flows left over after covering capital expenditure and working capital needs, to estimate the enterprise value of the Project Company. The FCFF based on DCF method discounts the accumulated cash flows to all claimholders in the firm by the weighted average cost of capital ("**WACC**").

The Valuer has adjusted the financial forecast provided by the Management into the cash flow projections by applying the FCFF formula.

To estimate the terminal value of the Project Company at the end of the projected period, the Valuer has used the Gordon Growth Model. This model is used to assess the terminal value of firms that are growing at a stable growth rate and relates the value to its expected cash flows in the next time period, the required rate of return and the expected growth rate.

Terminal Value = $CF_{n+1}/(r - g)$

Where:

CF_{n+1} = Expected cash flows one year from n^{th} year
r = Required rate of return (i.e. discount rate)
g = Growth rate perpetual

The WACC was adopted as the discount rate for valuation. It is the required return on the capital investment of the Project Company. The cost of capital will be different for each source of capital and class of securities. The WACC is the weighted average of the costs of each of the different types of capital, and the weights are proportion of Project Company's capital that comes from each source. The WACC of 13.20% was computed using the following formula:

$WACC = R_e (E/V) + R_d (D/V) (1 - T_c)$

Where:

WACC = weighted average cost of capital
R_e = cost of equity
R_d = cost of debt
E = value of the firm's equity
D = value of the firm's debt
V = sum of the values of the firm's equity and debt
E/V = weight of equity
D/V = weight of debt
T_c = corporate tax rate

Cost of Equity

The cost of equity was determined using the Capital Asset Pricing Model ("**CAPM**") which describes the relationship between the risk of a particular asset, its market price and the expected return to the investor, that investors required additional return to compensate additional risk associated by the following formula:

$$R_e = R_f + \beta * MRP + SCRP + CSP$$

Where:

R_e = cost of equity
R_f = risk-free rate
β = beta coefficient. It measures the risk of an asset relative to the overall market
MRP = market risk premium. It measures the difference between the expected return on an investment in China where the Project Company operates and the risk-free rate
SCRP = small capitalization risk premium
CSP = company specific premium

Key inputs and principal assumptions

In determining the market value of the equity interest in the Project Group, the Valuer makes the following assumptions:

(i) the adopted rates of the valuation parameters are as follows:

a. risk-free rate: 1.84%
b. beta coefficient: 0.82
c. market risk premium: 5.25%
d. cost of equity: 6.14%
e. WACC: 12.99%
f. cost of debt: 4.17%
g. company specific risk premium: 4%
h. capital structure: 5.68% debt; 94.32% equity
i. growth rate perpetual: 2%
j. small capitalisation risk premium: 3.38%

(ii) 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. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. A discount for lack of marketability (DLOM) of 20.4% has been adopted in the valuation, with reference to "Stout Restricted Stock Study: Companion Guide (2023 Edition)";

(iii) Other assumptions:

a. There will be no major changes in the existing political, legal, fiscal and economic conditions in the PRC in which the Project Company and its subsidiaries carries on its business;

b. There will be no major changes in the current taxation law in the PRC, that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with;

c. Exchange rates and interest rates will not differ materially from those presently prevailing;

d. The labor market conditions in the PRC will not differ materially from those presently prevailing;

e. The Project Company and its subsidiaries will retain competent management, key personnel and technical staff to implement its operational plans;

f. According to the Management, the Project Company has not experienced any previous financing issues. In this valuation, future financing is expected to be available on the forecast growth of the Project Company and its subsidiaries' operation;

g. The Valuer noted that the pharmaceutical license of the Project Company is subject to constant renewal, after clearance of the regulator. The current pharmaceutical license was granted by the government on 13 November 2025 and will expire on 12 November 2030. In this valuation, the Valuer has assumed that the Project Company will operate as a going concern and that the future licenses will be successfully renewed, which has been reassured by the Management with high certainty, and the fact that the Project Company has successfully renewed the license historically without delays. The Valuer noted that if in the rare case that the pharmaceutical license could not be renewed, the Project Company would not be able to effectively conduct its business.

Confirmations

The Valuation constitutes a profit forecast for the purpose of Rule 14.61 of the Listing Rules.

A letter from the Reporting Accountant dated 2 June 2026 confirming that it has reviewed the accounting policies and the calculations for the Profit Forecast is set out in Appendix VI to this circular for the purpose under Rule 14.60A(2) of the Listing Rules.

The Financial Adviser has reviewed the assumptions upon which the Profit Forecast was based (details of which are set out in the section headed "Valuation – Key inputs and principal assumptions" in this letter from the Board and is of the view that the Profit Forecast has been made with due care and consideration. A letter from the Financial Adviser dated 2 June 2026 is set out in Appendix VII to this circular for the purpose under Rule 14.60A(3) of the Listing Rules.

Having considered the valuation report prepared by the Valuer, including the assumptions upon which the Profit Forecast was based, the Board (excluding (i) Mr. Kwok, Mr. Liu Lihao and Ms. Luo Tingting, each an executive Director, and each of whom is an executive director of Kaisa Group, and (ii) the members of the Independent Board Committee who will express their views after having considered the advice of the Independent Financial Adviser) considers that the Consideration, which was determined with reference to the Valuation, is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The qualifications of the Reporting Accountant, the Valuer and the Financial Adviser are as follows:

Name	**Qualifications**
ZSZH (HK) Fuson CPA Limited (formerly known as SFAI (HK) CPA Limited)	Certified Public Accountants
Hong Kong Appraisal Advisory Limited	Professional valuer
Rainbow Capital (HK) Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the Reporting Accountant, the Valuer and the Financial Adviser is a third party independent of the Group and is not a connected person of the Group. As at the Latest Practicable Date, none of the Reporting Accountant, the Valuer and the Financial Adviser has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the Reporting Accountant, the Valuer and the Financial Adviser does not have any direct or indirect interests in any assets which have been since 31 December 2025 (the date to which the latest published annual results of the Group were made up) acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the Reporting Accountant, the Valuer and the Financial Adviser has given and has not withdrawn its written consent to the publication of this circular with inclusion of its opinion and advice in its report/letter and all references to its name in the form and context in which it appears in this circular.

The Board's view

In assessing the fairness and reasonableness of the Valuation, the Board has reviewed the valuation report of the Target Group and discussed with the Valuer regarding the methodology and major assumptions used in arriving at the Valuation. The Board has reviewed the rationale for the valuation methods chosen by the Valuer, and considers that the discounted cash flow method under the income approach as adopted by the Valuer in the Valuation (which reflects the overall profitability of the Project Company as a going concern) as appropriate. The Board has noted that the valuation report was prepared by the Valuer in accordance with the current International Valuation Standards, that the key assumptions used in the valuation report are commonly used in valuation of similar subjects, and that the key parameters used in the valuation report have been determined based on methods commonly used in valuation of similar subjects, the Board has also conducted assessment on the qualifications and independence of the Valuer, which is a professional third party expert independent of the Company and the Target Company and with qualifications and experiences in conducting similar valuations.

Based on the above and taking into account the following, the Board is of the view that the market value of the Target Group (including the Project Group) as determined by the Valuer to be fair and reasonable:

(1) The Project Group is engaged in the research and development, manufacturing, and sale of pharmaceutical products in the PRC. The Project Group has a long business history and its business operation can date back to 1958. The Project Group has been profit making since the acquisition of the Project Group by Kaisa Group in 2019 and during the years in which the Project Group has been held by Kaisa Group. For each of the financial years ended 31 December 2023, 31 December 2024 and 31 December 2025, its audited net profit after taxation was over RMB60 million As at 31 December 2025, the audited carrying amount of non-current tangible asset was approximately RMB243 million.

(2) As at the date of the Agreement, the Project Group has developed a total of 58 products, of which (i) 55 products have been commercialised by the Project Group, and (ii) three products, namely Naloxone Hydrochloride Injection (鹽酸納洛酮注射液), Allylmorphine Injection (烯丙嗎啡注射液) and Methoxyphenamine (甲氧那明), are expected to be commercialised by the Project Group in 2026. In addition, the Project Group has 12 products in its research and development pipeline (one of which is Hydromorphone Injection (氫嗎啡酮注射液). Hydromorphone Injection (氫嗎啡酮注射液) is expected to obtain registration approval in mid-2026 and is expected to commence commercialization in 2026).

(3) The Project Group's products comprise the following (all of which have been commercialized except otherwise indicated):

    (a) Core products

        (i) Buprenorphine Injection (丁丙諾啡注射液)

        (ii) Hydromorphone Injection (氫嗎啡酮注射液) (under research and development and it is expected that registration approval will be obtained in mid-2026 and commercialization is expected to commence in 2026)

        (iii) Papaverine Hydrochloride Tablets (鹽酸罌粟鹼片)

        (iv) Naloxone Hydrochloride Injection (鹽酸納洛酮注射液) (registration approval has been obtained and commercialization of the product is expected to commence in 2026)

(b) Other products

(i) Dihydrocodeine Tartrate Tablets (酒石酸雙氫可待因片)

(ii) Noscapine Tablets (那可丁片)

(iii) Allylmorphine Injection(烯丙嗎啡注射液) (registration approval has been obtained and commercialization of the product is expected to commence in 2026)

(iv) Other General Medicines (其他常規品種) (including Methoxyphenamine (甲氧那明), registration approval of which has been obtained and commercialization of which is expected to commence in 2026)

(4) For the year ended 31 December 2025, the Project Group recorded revenue of RMB530.75 million from the sales of the 55 products (based on the audited financial statements of the Project Group for the year ended 31 December 2025). It represented a growth of approximately 7% as compared to 2024.

(5) The Management projected that the Project Group's products will be in high growth stage from 2026 to 2030, maturity stage from 2031 to 2034, and stability stage from 2035 onwards. As shown in the table below, the Management projected that the Project Group will achieve an annual revenue growth rate of 26% – 36% during the high growth period from 2026 to 2030.

Product	2025 *(RMB)*	2026 *(RMB)*	% increase	2027 *(RMB)*	% increase	2028 *(RMB)*	% increase	2029 *(RMB)*	% increase	2030 *(RMB)*	% increase
Buprenorphine Injection (丁丙諾啡注射液)	18,589,527.79	17,588,909.46	-5%	58,431,372.55	232%	112,984,597.07	93%	200,000,000.00	77%	300,000,000.00	50%
Hydromorphone Injection (氫嗎啡酮注射液)	-	6,371,681.42	-	15,355,752.22	141%	55,444,338.88	261%	119,444,145.28	115%	200,000,000.00	67%
Papaverine Hydrochloride Tablets (鹽酸罌粟鹼片)	70,862,807.13	94,485,476.00	33%	125,156,600.77	32%	185,726,938.60	48%	271,030,244.91	46%	500,000,000.00	84%
Naloxone Hydrochloride Injection (鹽酸納洛酮注射液)	-	20,000,000.00	-	20,000,000.00	0%	20,000,000.00	0%	20,000,000.00	0%	20,000,000.00	0%
Sub-total of core products	**89,452,334.92**	**138,446,066.88**	**55%**	**218,943,725.54**	**58%**	**374,155,874.55**	**71%**	**610,474,390.19**	**63%**	**1,020,000,000.00**	**67%**
Other products (such as Dihydrocodeine Tartrate Tablets (酒石酸雙氫可待因片), Noscapine Tablets (那可丁片), Allylmorphine injection (烯丙嗎啡注射液) and Other General Medicines (其他常規品種))	**441,261,580.91**	**583,861,743.86**	**32%**	**691,164,115.99**	**18%**	**790,782,162.62**	**14%**	**880,646,297.39**	**11%**	**888,634,480.10**	**1%**
Total	**530,917,198.00** *(Note)*	**722,307,810.74**	**36%**	**910,107,841.54**	**26%**	**1,164,938,037.17**	**28%**	**1,491,120,687.58**	**28%**	**1,908,634,480.10**	**28%**

Note: The actual revenue of the core products for the year ended 31 December 2025 of RMB89,452,334.92 was 12.05% higher than the projected revenue of RMB79,835,520.60 for the same period as set out in the Announcement. The actual revenue of the other products for the year ended 31 December 2025 of RMB441,261,580.91 was 10.56% lower than the projected revenue of RMB493,365,606.66 for the same period as set out in the Announcement. Taking into account the foregoing, the actual revenue of all products for the year ended 31 December 2025 of RMB530,917,198.00 was 7.41% lower than the projected revenue of RMB573,201,127.26 for the same period as set out in the Announcement. Such variance is mainly due to the deferred recognition of a revenue of RMB28.1 million from year-end shipments in 2025. Based on the principle of prudence, the auditors has deferred the recognition of such revenue to 2026, including RMB5.15 million from core products and RMB22.95 million from other products. After adjusting for such deferred revenue recognition, as compared with the projected figures for the year ended 31 December 2025, the actual variance for core products was +18.5%, the actual variance for other products was –6%, and the overall variance for all products was only –2.5%. Based on the foregoing, the actual and projected figures for the year ended 31 December 2025 are basically consistent, and the Company believes that the revenue projections for 2026-2030 remain achievable and the Board is of the view that the Valuation is fair and reasonable.

(6) As can be seen from the above, among all the products of the Project Group, the four core products, namely the Buprenorphine Injection (丁丙諾啡注射液), the Hydromorphone Injection (氫嗎啡酮注射液), the Papaverine Hydrochloride Tablets (鹽酸罌粟鹼片) and the Naloxone Hydrochloride Injection (鹽酸納洛酮注射液), are expected to, collectively, drive substantial revenue growth of more than 50% each year for the period from 2026 to 2030. The other products are also expected to continue to drive revenue growth for the period from 2026 to 2030 (32% in 2026 and 1% in 2030).

(7) The description of the products and the basis of their revenue growth are set out below.

(8) Core product – Buprenorphine Injection (丁丙諾啡注射液)

(a) Buprenorphine Injection exerts its analgesic (鎮痛) effect by acting on opioid receptors, and is clinically applicable to the treatment of various acute and chronic pain conditions, including postoperative pain, cancer pain, burn pain, and angina pectoris. It has a low risk of respiratory depression and a lower addictive potential than traditional opioid products, making its clinical use safer and more controllable.

(b) It is an existing product in the market. The Project Group commenced commercialization of the product in 2020. The Project Group has recorded sales of the product of approximately RMB18.6 million in 2025 (based on the audited financial statements of the Project Group for the year ended 31 December 2025), representing an approximately 287% increase as compared to the sales of approximately RMB4.8 million in 2024.

(c) Market data, competitive landscape and factors driving the growth of the market/the demand for the product

(i) According to the statistics from Zhiyanzhan, the PRC analgesic industry (comprising all kinds of analgesic products including potent opioid analgesics) is projected to grow at a rate of 6%-8% annually from 2024 to 2030, reaching a market size of RMB210 billion in 2030. Currently, the size of the market in the PRC for potent opioid analgesics, such as Buprenorphine Injection and other buprenorphine products, exceeds RMB15 billion (source: IQVIA). In addition, according to the "China Buprenorphine Market Research and Development Prospect Forecast Report 2025" released by BGES Consulting, the PRC buprenorphine market size (including Buprenorphine Injection and other buprenorphine products) is projected to reach approximately RMB12.4 billion by 2025 and RMB18.2 billion by 2030. As mentioned in paragraph (8)(c)(vi) below, currently, there are only two designated manufacturers (including the Project Company) for Buprenorphine Injection in China.

(ii) Buprenorphine Injection possesses numerous significant product advantages, as compared to other analgesic products. It is suitable for various pain management applications, including surgical analgesia, cancer pain, and neuropathic pain. Buprenorphine Injection is currently the only four-target drug, an analgesic that targets four types of receptors (μ receptor, κ receptor, δ receptor, ORL1 receptor). While providing potent analgesia (approximately 70 times more effective than morphine), it also (1) does not cause respiratory depression, effectively addressing clinical pain points; (2) is not metabolized by the kidneys, requiring no dose adjustment during use; and (3) does not cause immunosuppression, effectively resolving clinical problems. According to IQVIA, Dezocine Injection, with almost identical indications to Buprenorphine Injection but with far less clinical value, had a market size of approximately RMB1.2 billion in 2024. Buprenorphine Injection's advantages have the potential to replace the market share of Dezocine Injection. As can be seen from the table of comparison below, the analgesic effect of Buprenorphine Injection is much stronger than that of Dezocine Injection, but the side effects of Buprenorphine Injection are much less than those of Dezocine Injection (source: Dongfang):

	Analgesic intensity (effect)	Incidence of nausea and vomiting	Incidence of excessive sedation (e.g., falling into a coma)	Incidence of dizziness/ vertigo	Injection site reaction rate
Buprenorphine Injection	50 times that of morphine	<1%	No	<1%	No
Dezocine Injection	1/7 to 1/10 of morphine	3%-9%	3%-9%	1%-3%	3%-9%

In addition, Dezocine Injection was launched in the US but was not accepted by the US market and had been withdrawn from the market, according to the information published on the US Food and Drug Administration. In China, Dezocine Injection has been included in the National Key Monitoring List (國家重點監控目錄), and its use is strictly controlled. The product is being rapidly withdrawn from the market. Therefore, Buprenorphine Injection is expected to replace the market share of Dezocine Injection, which is neither on the WHO Model List of Essential Medicines nor on the National Essential Drug List.

(iii) Buprenorphine Injection has been categorized as a first-line or recommended drug by many authoritative industry guidelines and publications in Europe and the Americas such as the Clinical Guidelines for the Use of Buprenorphine in the Treatment of Opioid Use Disorder published by Substance Abuse and Mental Health Services Administration of the United States (美國藥物濫用和精神衛生服務管理局) in 2021, the Canadian Clinical Practice Guidelines for Opioid Use Disorder published by Canadian Association of Addiction and Mental Health (加拿大成癮與精神衛生協會) in 2023 and the Guideline on the Use of Buprenorphine for Opioid Dependence published by European Medicines Agency (歐洲藥品管理局) in 2022 and is one of the most widely used opioids abroad such as Europe and the US. Buprenorphine has been included in the WHO Model List of Essential Medicines since 2005.

(iv) However, Buprenorphine Injection is not yet on the National Essential Drug List. According to the PRC National Health Commission's response to the PRC National People's Congress's suggestion in September 2025, the "National Essential Drug List Management Measures (Revised Draft)" (the "**Measures**") was basically completed. An update is widely expected in 2026. The Measures stipulated that the selection of essential medicines shall be determined based on the principle of clinical first choice, with reference to, among other things, international experience. It is highly likely that the Buprenorphine Injection will be included in the National Essential Drug List because buprenorphine has already been included in the WHO Model List of Essential Medicines and Buprenorphine Injection has been highly recommended as the first-choice medication for clinical use by authoritative institutions in countries and regions such as the United States, Europe, and the United Kingdom. Therefore, Buprenorphine Injection closely aligns with the selection criteria outlined in the Measures. China's overall direction of medical development is consistent with that of developed countries internationally.

(v) According to relevant regulations, basic healthcare institutions funded by government, which primarily include county-level hospitals, county-level Chinese medicine hospitals, rural clinics and community clinics, shall store up and use drugs listed in the National Essential Drug List. The drugs listed in the National Essential Drug List shall be purchased by centralized tender process and shall be subject to the price control by the National Development and Reform Commission of the PRC. Subsequently, Buprenorphine Injection can be included in the Medical Insurance Catalog because it is with high probability that remedial drugs in the National Essential Drug List (which would include Buprenorphine Injection if it is added to such list) will be listed in the Medical Insurance Catalog and the entire amount of the purchase price of such drugs is entitled to reimbursement. Therefore, the National Essential Drug List serves as a priority gateway for drugs to enter medical insurance coverage, facilitating hospital access and providing policy-driven sales momentum. For enterprises, the dual policy support from the essential drug list and medical insurance serves as a power driver for pharmaceutical sales.

(vi) Buprenorphine Injection is a Class I psychotropic drug (一類精神藥品). According to national regulations, the statutory maximum number of designated manufacturers for Class I psychotropic drug such as the Buprenorphine Injection is five. Currently, there are only two designated manufacturers (including the Project Company) in China. The designation is granted on five-year terms, renewable upon review by the NMPA (provincial level). A search of the NMPA system revealed that no other Buprenorphine Injection manufacturer application is pending as at 10 January 2026. The entry barrier is expected to continue to be high taking into account the heavy reliance of this product on the ability of the manufacturer to have stable production of buprenorphine raw materials, and only very few companies in China would be able to do so. According to publicly available information on the Center for Drug Evaluation of the NPMA, the Project Company is the only manufacturer and distributor of morphine products in China. Such product, along with buprenorphine, belong to the class of psychotropic drugs and are widely used in hospitals as essential medicines in China. The Project Group has a significant advantage in sales channels compared to its competitor.

(vii) The Project Group commenced commercialization of the product in 2020. The Project Group has recorded sales of the product of approximately RMB18.6 million in 2025 (based on the audited financial statements of the Project Group for the year ended 31 December 2025), representing an approximately 287% increase as compared to the sales of approximately RMB4.8 million in 2024. The sales in the first few years of commercialization have been limited by the fact that Buprenorphine Injection has not yet been added to the National Essential Drug List and the Medical Insurance Catalog, as a result of which the early commercial promotion did not achieve effective conversion, the number of products sold to hospitals was small, and the vast majority of doctors did not have access to the drug, even if they wanted to use the drug. In 2025, the Project Group sold the product to 11 public hospitals only. However, once Buprenorphine Injection is added to the National Essential Drug List and the Medical Insurance Catalog, there will be exponential growth in hospitals using the drug, achieving exponential growth in sales.

(d) Competitiveness of the Project Group in capturing the market growth, resulting in its own revenue growth

i. The Project Group is widening the sales and marketing channel in relation to its products, including this product. The Project Group plans to expand its professional sales and marketing team by 100 people by 2026 (the "**Enlarged Marketing Team**"). The Enlarged Marketing Team will target hospitals across China in the promotion.

ii. As explained in paragraph (10)(d)(ii) below, the Papaverine Hydrochloride Tablets produced by the Project Group were added to the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province) in 2025, whereby the government promotes the access of procured drugs to public hospitals through policies. Approximately 20,000 public hospitals are involved in such centralized procurement system. According to the Policy Interpretation of the "Notice from the National Medical Insurance Bureau and the National Health Commission on Improving the Mechanisms for Pharmaceutical Centralized Procurement and Implementation"《國家醫保局國家衛生健康委員會關於完善醫藥集中帶量採購和執行工作機制的通知》政策解讀, regarding hospital use, local authorities are required to begin screening and reviewing each batch of centralized procurement in the third month of implementation, urging medical institutions to complete the hospital access process as soon as possible (在進院使用方面，要求地方在各批次集採執行第3個月開始排查梳理，督促醫療機構盡快完成進院工作). On this basis, all 20,000 public hospitals in the centralized procurement system that have procurement needs for products should comply with the policy requirements for procurement

and place orders for the products. However, the Project Group will not only rely on such policy support. Considering the fostering of long-term cooperation with hospitals, the Project Group will, through the Enlarged Marketing Team, positively interact with the hospitals with a view to promote its products to the hospitals. Such products would include not only Papaverine Hydrochloride Tablets (which has been added to the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province) in 2025), but also other products of the Project Group, including Buprenorphine Injection and Hydromorphone Injection. The Project Group, taking into account prevailing industry standards, has conservatively estimated that 10% of the public hospitals (approximately 1,700 to 2,200 public hospitals) will have access to the Project Group's promoted products during each year from 2026 to 2030.

iii. With the clinical and commercial value of the product already verified in developed countries in Europe and the United States, as well as the highly expected imminent inclusion of the product on the National Essential Drug List and the Medical Insurance Catalog, it is expected that the Project Group will be able to capture substantial revenue from the sales of Buprenorphine Injection.

iv. As can be seen in paragraph (8)(b) above, the Project Group has achieved approximately 287% growth in sales in 2025. With the establishment of the Enlarged Marketing Team in 2026, further rapid growth is expected in the near future.

v. Furthermore, as mentioned in paragraph (8)(c)(vi)) above, currently, there are only two designated manufacturers (including the Project Company) of Buprenorphine Injection in China. The entry barrier is expected to continue to be high as not many manufacturers would be able to have stable production of buprenorphine raw materials. Even if the other existing competitor may try to increase its market share, the competition landscape for this product is expected to continue to be limited, which would be favorable to the Project Group.

vi. As mentioned in paragraph (8)(d)(ii) above, it is expected that 1,700-2,200 new hospitals will have access to the Project Group's promoted products during the five-year period from 2026 to 2030. On the basis of (1) the numerous significant product advantages of Buprenorphine Injection, as compared to other analgesic products, as described in paragraph (8)(c)(ii) above, (2) the inclusion of the product in the National Essential Drug List and the Medical Insurance Catalog (which is highly expected as explained in paragraph (8)(c)(iv) above), and (3) the promotion efforts of the Project Group through the Enlarged Marketing Team, it is estimated that 20% of such 1,700 to 2,200 hospitals could become customers of the Project Group for the product.

vii. As mentioned in paragraph (8)(b) above, the Project Group has recorded sales of the product of approximately RMB18.6 million in 2025 (based on the audited financial statements of the Project Group for the year ended 31 December 2025). Such sales were based on the existing 11 public hospitals, resulting in an annual sales rate of RMB900,000 per hospital. Assuming a conservative 20% conversion rate for new hospitals per year based on the lower range of 1,700 hospitals, approximately 340 new hospitals could become customers of the Project Group. Based on an annual sales rate of RMB900,000 per hospital, it is expected that such 340 new hospitals will result in an annual sales of approximately RMB306 million. However, taking a conservative approach, the Management has set a gradually increasing sales target for the Project Group of approximately RMB17 million, RMB58 million, RMB113 million, RMB200 million, and eventually RMB300 million in each year from 2026 to 2030, translating to the number of hospitals achieving conversion of approximately 20, 65, 125, 220 and 340 from 2026 to 2030, respectively, with the conversion rate of 1%, 4%, 7%, 13% and 20% respectively on the basis of the lower range of 1,700 hospitals. Such gradual conversion rate adheres to the principle of prudence and is reasonably achievable.

(9) Core product – Hydromorphone Injection (氫嗎啡酮注射液)

(a) Hydromorphone Injection is a product mainly for analgesic (鎮痛) treatment, managed as a narcotic (麻醉) drug.

(b) Hydromorphone Injection is an existing product in the market (which was first introduced to the market in 2013), and is on the Medical Insurance Catalog.

(c) Market data, competitive landscape and factors driving the growth of the market/the demand for the product

(i) According to the data from Menet, the sales of Hydromorphone Injection in public medical institutions in China was approximately RMB140 million in 2019, and the sales exceeded RMB700 million in 2024, with an annual compound growth rate over the past five years of approximately 40%. Based on this calculation, the overall market size is expected to reach RMB1.3 billion by 2030.

(ii) The reason for the growth in the sales of Hydromorphone Injection in Chinese public medical institutions is fourfold:

(A) Strong analgesia: Its analgesic strength is 5-7 times that of morphine, making it suitable for moderate to severe pain.

(B) Onset of action and metabolism: It has a relatively rapid onset of action, and its main metabolites have no pharmacological activity, resulting in minimal impact on renal function.

(C) Side effects: According to clinical feedback, the incidence of itching and nausea may be lower than that of morphine.

(D) Titration efficiency: Recent studies show that in the treatment of cancer pain, patient-controlled analgesia (PCA) using hydromorphone can achieve dose titration faster than oral oxycodone extended-release tablets, shortening the time to achieve effective analgesia.

(d) Competitiveness of the Project Group in capturing the market growth, resulting in its own revenue growth

(i) According to PRC regulations (《國家藥監局關於發佈麻醉藥品和精神藥品實驗研究管理規定的公告(2025年第51號》，附件2《麻醉藥品和精神藥品生產企業數量規定》), the maximum number of designated manufacturers for narcotic drugs such as Hydromorphone Injection is three, limiting the supply of this product. Currently, there are only two designated manufacturers in the market.

(ii) The Project Group is progressing the research of this product smoothly. The Project Group had submitted the new product's R&D supplementary application to the Center for Drug Evaluation (CDE) of the NMPA in November 2025. The Project Group has completed the necessary additional research, data analysis, and documentation required in response to the questions posed by the review body, and has formally submitted its responses, awaiting approval from the reviewer. Additionally, there is no need for further clinical trials at this stage. The Management expects that the Project Group will obtain the registration approval for the product in mid-2026 and expects that the Project Group will commence commercialization of the product in 2026.

(iii) As set out above, the statutory maximum number of designated manufacturers for narcotic drugs such as Hydromorphone Injection is three. The Project Company is already at the last stage of obtaining the permits to be the third designated manufacturer. Upon receiving the registration approval for the product, the Project Company would be approved as the third manufacturer. At this stage, no further documents need to be submitted by the Project Company in connection with the application. To the knowledge of the Management, no other company has applied to be the third designated manufacturer. It is therefore expected with high probability that the Project Company will be the third designated manufacturer, taking into account the fact that the

Management expects that the Project Company will obtain the registration approval for the product in mid-2026, and no other company has applied to be the third designated manufacturer to the knowledge of the Management. The designation is granted on five-year terms, renewable upon review by the NMPA (provincial level).

(iv) Once the Project Company is designated as the third manufacturer, and subject to obtaining the registration approval as mentioned in paragraph (9)(d)(ii) above, the Project Group can commence production and the Project Group can leverage its existing sales channels for other narcotic drugs (approximately 3,500 public hospitals in China) in the sales of the product to the market. The Management considers that despite the Project Company's entry into the market as the third manufacturer, it is not in a disadvantaged position as compared with its competitors in terms of cost of production and distribution channels and will be able to gain market share together with its competitors, given that the Project Group has already established a strong foothold in the pharmaceutical market in the PRC with developed distribution channels and extensive sales experience in other drugs, which would be equally applicable to the sales of Hydromorphone Injection.

(v) As mentioned in paragraph (8)(d)(ii) above, the Management expected that 1,700-2,200 new hospitals will have access to the Project Group's promoted products during the five-year period from 2026 to 2030. On the basis of (1) the numerous significant product advantages of Hydromorphone Injection as described in paragraph (9)(c)(ii) above, and (2) the promotion efforts of the Project Group through the Expanded Marketing Team, it is estimated that 20% of such 1,700 to 2,200 hospitals could become customers of the Project Group for the product.

(vi) Based on information available to the Management, the annual average hospital sales of Hydromorphone Injection of an existing competitor is approximately RMB700,000 per hospital. Assuming a conservative 20% conversion rate for new hospitals per year based on the lower range of 1,700 hospitals, approximately 340 new hospitals could become customers of the Project Group. Based on an annual sales rate of RMB700,000 per hospital, this is expected to generate an estimated annual sales volume of approximately RMB200 million. However, taking a conservative approach, the Management has set a gradually increasing sales target for the Project Group of approximately RMB6.4 million, RMB15 million, RMB55 million, RMB119 million, and eventually RMB200 million in each year from 2026 to 2030, translating to the number of hospitals achieving conversion of approximately 9, 22, 80, 170, and 340 from 2026 to 2030, respectively, with the conversion rate of 1%, 1%, 5%, 10% and 20% respectively based on the lower range of 1,700 hospitals. Such gradual conversion rate adheres to the principle of prudence and is reasonably achievable.

(10) Core product – Papaverine Hydrochloride Tablets (鹽酸罌粟鹼片)

(a) Papaverine Hydrochloride Tablet is mainly used to treat ischemia caused by cardiovascular spasm or peripheral vascular spasm, or spasms of internal organs such as the gallbladder, kidneys, and gastrointestinal tract.

(b) Papaverine Hydrochloride Tablet is an existing product in the market, and is on the Medical Insurance Catalog. The Project Group has already commenced commercialization of the product in 2010. However, it is not until recent years when the market conditions have become favourable (details of which are set out in paragraph (c) below) that the Project Group has started putting more resources on the sales of Papaverine Hydrochloride Tablet as a core product. With more resources put on the sales of Papaverine Hydrochloride Tablet as a core product, the Project Group has recorded sales of the product of approximately RMB70.9 million in 2025 (based on the audited financial statements of the Project Group for the year ended 31 December 2025), representing an approximately 72% increase as compared to the sales of approximately RMB41.2 million in 2024.

(c) Market data, competitive landscape and factors driving the growth of the market/the demand for the product

(i) The market size of Papaverine Hydrochloride Injection in public hospitals in China reached RMB3 billion annually in 2023, sourced from Top 100 Drugs by Sales Revenue in Hospitals and Retail Pharmacies in the First Half and Q2 of 2023 published by IQVIA, in September 2023, which proves the clinical acceptance of this product. According to the same report, the growth rate of papaverine products is approximately 20% annually. Based on this calculation, the market size of papaverine products is expected to reach RMB8 billion by 2030.

(ii) In recent years, the market share and sales of Papaverine Hydrochloride Injections have been declining due to factors such as side effects and price reductions from centralized procurement. The side effects of Papaverine Hydrochloride Injections include skin and subcutaneous tissue (such as rashes and itching), systemic reactions (such as coldness, fever and pain), nervous system issues (such as dizziness and headache), cardiovascular system issues (such as chest pain, low blood pressure or hypertension) and other issues involving liver and gallbladder system, immune system and respiratory system. Papaverine Hydrochloride Tablets, as a safer option with fewer side effects, have made significant progress in replacing injections. In May 2024, based on post-marketing clinical feedback, the NMPA updated the instructions for Papaverine Hydrochloride Tablets and Papaverine Hydrochloride Injections. Papaverine Hydrochloride Injections received several new side effects,

while Papaverine Hydrochloride Tablets have not. For safety reasons, in hospitals that stock Papaverine Hydrochloride Tablets, clinicians switched some patients from Papaverine Hydrochloride Injections to Papaverine Hydrochloride Tablets. According to Yaozhi, in the first half of 2025, sales volumes of Papaverine Hydrochloride Injections in China decreased of 5.28 million units. representing a 12% decrease as compared to the same period in 2024, while in the first half of 2025, the Project Company, as the only manufacturer that has obtained the necessary permits for the manufacturing of Papaverine Hydrochloride Tablets in China, recorded an increase of 0.59 million bottles in sales of Papaverine Hydrochloride Tablets, representing a 102% increase as compared to the same period in 2024.

(iii) The Papaverine Hydrochloride Tablets produced by the Project Group were added to the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province) in October 2025, with an implementation term of three years from 2026 to 2028. As the exclusive manufacturer of the product in China, it is likely that the Papaverine Hydrochloride Tablets produced by the Project Group will be able to continue to win bid if opened in future. The 22-Province Alliance Centralized Procurement System (led by Guangdong Province) refers to the expansion and coordination of the government's Volume-Based Procurement (VBP) program, where provincial governments group together to purchase pharmaceuticals and medical consumables in massive volumes, leveraging their combined buying power to force significant price reductions from suppliers, aiming to lower healthcare costs, fight corruption, and promote efficient, high-quality drug supply. Through the addition of the product to the procurement system, it is expected that 1,700-2,200 new hospitals will have access to the product each year, resulting in a significant breakthrough in market access and sales volume.

(d) Competitiveness of the Project Group in capturing the market growth, resulting in its own revenue growth

(i) As of the date of the Agreement, the Project Company is the only manufacturer that has obtained the necessary permits for the manufacturing of Papaverine Hydrochloride Tablets in China. A search of the NMPA system revealed that no other Papaverine Hydrochloride Tablets manufacturer application was pending as at 10 January 2026. The entry threshold for Papaverine Hydrochloride Tablets relies on reference formulations, but there are no nationally recognized reference formulations available in the market. In view of the foregoing, the other companies will not be able to enter into this market because they have no reference formulation to rely on and hence would not be able to develop this product.

(ii) With the addition of the product to the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province), a significant breakthrough in market access and sales volume is expected. As can be seen in paragraph (10)(b) above, the Project Company, as the exclusive manufacturer of the product in China, achieved approximately 72% growth in sales in 2025 (based on the audited financial statements of the Project Group for the year ended 31 December 2025). Through the addition of the product to the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province), further rapid growth is expected in the near future, based on the following:

(A) In China, public hospitals are government-run institutions directly under government management. Their drug selection must comply with government policies. Hospital decision-making bodies are bureaucratic and tend to conform to the policies of government authorities;

(B) The Papaverine Hydrochloride Tablets produced by the Project Company were added to the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province) in 2025. The government promotes the access of procured drugs to public hospitals through policies. Approximately 20,000 public hospitals are involved in such centralized procurement system. According to the Policy Interpretation of the "Notice from the National Medical Insurance Bureau and the National Health Commission on Improving the Mechanisms for Pharmaceutical Centralized Procurement and Implementation" 《國家醫保局國家衛生健康委員會關於完善醫藥集中帶量採購和執行工作機制的通知》政策解讀, regarding hospital use, local authorities are required to begin screening and reviewing each batch of centralized procurement in the third month of implementation, urging medical institutions to complete the hospital access process as soon as possible (在進院使用方面，要求地方在各批次集採執行第3個月開始排查梳理，督促醫療機構儘快完成進院工作). On this basis, all 20,000 public hospitals in the centralized procurement system that have procurement needs for products should comply with the policy requirements for procurement and place orders for the products.

(C) The Papaverine Hydrochloride Tablets are primarily used to treat diseases caused by vascular or visceral smooth muscle spasms. There is a clear clinical role and demand for its use in public hospitals. On the basis of the product's own clinical value, and leveraging the aforementioned policy support and through active promotion by the Project Group's Enlarged Marketing Team, the Management, taking into account prevailing industry standards, has conservatively estimated that 10% of the public hospitals (approximately 1,700 to 2,200 public hospitals) will place orders for Papaverine Hydrochloride Tables during each year from 2026 to 2030.

(iii) In 2025, the Project Group generated sales volume of Papaverine Hydrochloride Tablets of RMB70.9 million from 200 Grade A tertiary hospitals, resulting in an annual sales rate of RMB350,000 per hospital (based on the audited financial statements of the Project Group for the year ended 31 December 2025). Assuming that the lower range of 1,700 hospitals will be using the product, the Project Group would be able to generate sales of over RMB500 million per year.

(iv) On the basis of the foregoing, and taking a conservative approach, the Management has set a gradually increasing sales target for the Project Group of approximately RMB94 million, RMB125 million, RMB186 million, RMB271 million, and eventually RMB500 million in each year from 2026 to 2030, translating to the number of hospitals of approximately 260, 350, 530, 770 and 1,700 from 2026 to 2030, respectively. Such gradual increase in hospital sales adheres to the principle of prudence and is reasonably achievable.

(11) Core product – Naloxone Hydrochloride Injection (鹽酸納洛酮注射液)

(a) Naloxone Hydrochloride Injection is a vital medication used to rapidly reverse the life-threatening effects of an opioid overdose due to opioid anesthetics or natural overdose, primarily respiratory depression.

(b) It is an existing product in the market (which was first introduced to the market in 1990), and is on the National Essential Drug List and the Medical Insurance Catalog. The Project Company has obtained a certificate of consistency evaluation in 2025, which is an approval of quality, for the product. The Project Group has commenced the manufacturing of the product, and expects to commence commercialization of the product in 2026.

(c) Market data, competitive landscape and factors driving the growth of the market/the demand for the product

(i) According to the data from Menet, in 2021 to 2023, the national market size of this product was approximately RMB264 million, RMB413 million, RMB535 million, representing an annual compound growth rate over such three-year period of approximately 43%.

(ii) Taking a conservative approach, the market of this product is expected to grow at a rate of 10% each year, reaching a market size of over RMB1 billion in 2030. The reasons for the market growth or a growing need for this product are twofold:

(A) As China's population ages, the number of hospitalizations and surgeries will continue to increase, reaching 82 million in 2024, a growth rate of approximately 7%, sourced from Statistical Bulletin on the Development of Health and Wellness (2022-2024)), and is expected to maintain rapid growth in the long term. Correspondingly, the use of opioid analgesics during surgery will continue to increase, as will the number of patients experiencing severe opioid side effects. As the "gold standard" drug for treating severe opioid side effects, the usage of Naloxone Hydrochloride Injection will also continue to increase;

(B) Cardiovascular and cerebrovascular diseases have become the leading cause of death in China, accounting for approximately 47% of all deaths. Age is a high-risk factor for these diseases, and with the aging population, the number of patients suffering from them will continue to increase. As a commonly used drug for resuscitation after cardiac arrest and after coma, the dosage of Naloxone Hydrochloride Injection will continue to increase with the growth of the patient population.

(d) Competitiveness of the Project Group in capturing the market growth, resulting in its own revenue growth

(i) The Project Company has obtained a certificate of consistency evaluation in 2025, which is an approval of quality, making it one of the few companies in China qualified to participate in the national centralized procurement (a government-led bulk purchasing strategy where the government-led medical institutions buy drugs collectively). Currently, there are only 19 manufacturers of Naloxone Hydrochloride Injection in China (including the Project Company) which have passed the consistency evaluation. According to the centralized procurement rules, only companies with such certificates of consistency evaluation would be permitted to participate in the centralized procurement. As the

Project Company has obtained a certificate of consistency evaluation for Naloxone Hydrochloride Injection, the product produced by the Project Company will be of no difference to the same products produced by other manufacturers with certificates of consistency evaluation and equally acceptable to the government-led medical institutions in the national centralized procurement.

(ii) In 2024, out of the manufacturers of Naloxone Hydrochloride Injection with certificates of consistency evaluation, only 7 companies achieved effective cost control to manufacture Naloxone Hydrochloride Injection at a cost less than the price set by the government to participate in the national centralized procurement. The Project Group has a cost advantage in manufacturing Naloxone Hydrochloride Injection, taking into account the production capacity of the Project Group in achieving large-scale production resulting in a production cost lower than the lowest winning bid price of Naloxone Hydrochloride Injection in the national centralized procurement in 2024. In 2024, the smallest manufacturer (among the 7 companies mentioned above which have achieved effective cost control) which participated in the national centralized procurement captured a market share of 8-9% (source: 《第十批國家組織藥品集中帶量採購》 published by the NHSA). Taking a conservative approach, the Management expected that the Project Group could capture a 5% market share with annual sales of approximately RMB50 million (being RMB1 billion x 5%) in 2030. However, based on a more conservative approach, the Management has set an annual sales revenue of the Project Group of RMB20 million for this product for each year during the period from 2026 to 2030. The Management considers that despite the Project Group's entry into the market later than the other manufacturers, it will be able to capture a market share through the national centralized procurement, as there is stable demand for the product from the government-led medical institutions under the national centralized procurement. For so long as the Project Group continues to meet the criteria for participating in the national centralized procurement leveraging on its production capability, sales contracts will be awarded to the Project Group under the national centralized procurement.

(12) Other products

	Dihydrocodeine Tartrate Tablets (酒石酸雙氫可待因片)	**Noscapine Tablets (那可丁片)**	**Allylmorphine injection (烯丙嗎啡注射液)**	**Other general medicines (其他常規品種)**
Project description and status	Dihydrocodeine Tartrate Tablets are classified as a Class B drug under the Medical Insurance Catalog and are primarily used to relieve moderate to severe pain. Dihydrocodeine Tartrate Tablets are existing product in the market and have been commercialized by the Project Company. Currently, the Project Company is the only manufacturer of such product in China.	Noscapine Tablets are over-the-counter (OTC) product, with excellent cough-suppressing effects, similar to codeine (the most potent cough suppressant). It is recommended as a first-line treatment for coughs by medication guidelines, and its brand recognition and efficacy are widely recognized by doctors and patients. Noscapine Tablets are existing product in the market and have been commercialized by the Project Company. Currently, the Project Company is the only manufacturer of such product in China.	Allylmorphine Injection is classified as a Class A drug under the Medical Insurance Catalog and it is used to treat respiratory depression, hemodynamic fluctuations, and coma caused by opioid poisoning. It is primarily used for surgical patients and in ICU departments, and is a product with significant clinical and commercial value. Allylmorphine Injection is an existing product in the market and has been commercialized by the Project Company. Currently, the Project Company is the only manufacturer of such product in China.	The products mainly include analgesics and cough suppressants produced by the Project Company. The active pharmaceutical ingredients (原料藥) mainly include noscapine, morphine phosphate, morphine sulfate, opium powder, etc., and the products (製劑) mainly include compound glycyrrhiza tablets, codeine and platycodon tablets.

	Dihydrocodeine Tartrate Tablets (酒石酸雙氫可待因片)	Noscapine Tablets (那可丁片)	Allylmorphine injection (烯丙嗎啡注射液)	Other general medicines (其他常規品種)
Market data, competitive landscape and factors driving the growth of the market/the demand for the product	As mentioned above, according to the statistics from Zhiyanzhan (智研瞻), the PRC analgesic industry (comprising all kinds of analgesic products) is projected to grow at a rate of 6%-8% annually from 2024 to 2030, reaching a market size of RMB210 billion in 2030. Dihydrocodeine Tablets are the gold standard for second-step analgesia (for moderate pain management) and are recommended by the WHO as a first-line drug in the second-step analgesia system. They are also a mainstream weak opioid analgesic in other countries. The product's value in treating moderate pain is internationally recognized.	According to the data from Menet, the product's market size was RMB450 million in 2023. It is expected that its competitor, Dextromethorphan, will be withdrawn from the market and replaced by Noscapine Tablets.	Allylmorphine Injection and Nalmefene Injection are two commercially available options for treatment of opioid poisoning. Nalmefene Injection is currently more commonly used. In 2024, its sales reached RMB837 million, with a growth rate of 10%. The market size is projected to reach approximately RMB1.5 billion by 2030. (Source: Zhiyanzhan) Allylmorphine Injection is a faster and safer option than Nalmefene Injection and is expected to gradually replace Nalmefene Injection as a treatment for opioid poisoning.	Moderate growth generally taking into account the aging population.

	Dihydrocodeine Tartrate Tablets (酒石酸雙氫可待因片)	Noscapine Tablets (那可丁片)	Allylmorphine injection (烯丙嗎啡注射液)	Other general medicines (其他常規品種)
Competitiveness of the Project Company in capturing the market growth, resulting in its own revenue growth	The Project Company plans to strengthen promotion of sales of the product which is already on the Medical Insurance Catalog, and expects to enter into distributor agreements with partners in 2026 to cover the revenue growth in the projected period.	In 2025, the Project Company dedicated e-commerce sales team set up a flagship store on JD.com to drive rapid growth in online sales channels from 2026 onwards.	The Project Company will continue to promote sales of the product to the market through its network with hospitals.	The Project Company will continue to promote sales of the product to the market through its network with hospitals and its expanded sales team.

While the other products are expected to continue to drive revenue growth for the period from 2026 to 2030, the collective growth rate of the other products (18% in 2026 to 1% in 2030) is less than that of the core products (more than 50% for each year from 2026 to 2030) taking into account factors including the product attributes and clinical value, number of years of commercialization, number of substitutes available, market landscape and regulatory requirements. With the exception of two products, all of the other products have been commercialized by the Project Company and have track record of an average of five years and are expected to enter into a stabilization period starting 2030. Leveraging the existing sales network and with the assistance of the expanded sales team of the Project Company, the Project Company estimates an annual growth in sales target of 32%, 18%, 14%, 11% and 1% during the period from 2026 to 2030.

B. FINANCIAL GUARANTEES AND KEY LIABILITIES OF THE TARGET GROUP

The key liabilities and contingent liabilities of the Target Group (including the Project Group) as at 31 December 2025 are as follows:

(a) Target Holding Companies:

(i) **Minsheng Bank Loan:** the loan owing by Kaisa Healthcare Investment as borrower to Minsheng Bank as creditor (the "**Minsheng Bank Loan**") in initial principal amount of RMB421 million and outstanding principal amount of RMB351 million as at 31 December 2025, the maturity date of which is 20 December 2028 pursuant to the settlement agreement with Minsheng Bank and which is interest bearing at 4.45% to 6.6% per year (the total amount of interest to be accrued from 31 December 2025 to maturity is estimated to be approximately RMB45 million);

(ii) **Minsheng Bank Guarantees:** the guarantees given by Kaisa Healthcare Investment in favour of Minsheng Bank (the "**Minsheng Bank Guarantees**") in respect of the loans owing by Shenzhen Jingjia Urban Renewal Company Ltd. (深圳市景佳城市更新有限公司), a subsidiary of Kaisa Group, as borrower to Minsheng Bank as creditor in the aggregate sum of RMB600 million, RMB500 million of which will mature in December 2028, and RMB100 million of which will mature in June 2031. While the loans are interest bearing at 15.4% per year, the liability of Kaisa Healthcare Investment under the Minsheng Bank Guarantees is capped at RMB600 million;

(iii) **Ruihong Guarantee:** guarantee provided by Kaisa Healthcare Investment in favour of Ruihong Real Estate (the "**Ruihong Guarantee**") in relation to the debt owing by Kaisa Shenzhen (a wholly-owned subsidiary of Kaisa Group) as borrower to Ruihong Real Estate as lender in the amount of approximately RMB131 million as at 31 December 2025. As mentioned in the Agreement, it is a condition precedent to completion of the Acquisition that the liability to be taken up by Kaisa Healthcare Investment shall not be more than RMB100 million. The parties are currently in discussions on the timing of the repayment and the outstanding amounts in connection with the Ruihong Guarantee are currently expected to be repaid in 2026. With the liability capped at RMB100 million, it is expected that sufficient liquidity will be available for the repayment as and when required;

(iv) amount owing by the Target Company to a fellow subsidiary of Kaisa Group in the amount of approximately RMB179 million, the repayment schedule of which is negotiable;

(v) the deferred income tax of the Target Company in the amount of approximately of RMB29 million;

the above liabilities are collectively referred to as the "**Target Holding Companies Financial Obligations**" and each of the Target Holding Companies Financial Obligations is not related to the conduct of the business operations of the Project Company;

(b) Project Group:

(i) long-term special payables by the Project Company in the amount of approximately RMB121 million (subsidy for new plant construction and relocation);

(ii) long-term trade payables by the Project Company in the amount of approximately RMB25 million;

(iii) long-term other payables by the Project Company in the amount of approximately RMB31 million; and

(vi) advances from customers of the Project Company in the amount of approximately RMB37 million.

The above liabilities in paragraph (a) and (b) above have been taken into account by the Valuer in deriving the Valuation.

Prior to the entering into of the Agreement, Kaisa Healthcare Investment has entered into the Minsheng Bank Guarantees. Based on information provided by the Vendor and the Target Group, it is the agreement between Minsheng Bank and Kaisa Healthcare Investment that the Minsheng Bank Guarantees were granted by Kaisa Healthcare Investment as one of the conditions for extending the maturity date of the Minsheng Bank Loan to 20 December 2028; and the Minsheng Bank Guarantees shall continue to take effect after Completion. Upon Completion, the Minsheng Bank Guarantees granted by Kaisa Healthcare Investment in favour of Kaisa Group will constitute financial assistance of the Company to Kaisa Group under Chapter 14A of the Listing Rules. For the avoidance of doubt, the Minsheng Bank Guarantees have been in existence prior to the date of the Agreement and would continue to exist irrespective of whether the Agreement will be completed.

The Group has conducted due diligence measures regarding the liabilities of the Target Group, including without limitation (i) public searches including litigation search and credit search up to the Latest Practicable Date; (ii) interview with the Management and key employees of the Project Group; and (iii) engagement of professionals including valuer and auditor to conduct due diligence on the Target Group. Representations and warranties in relation to the Target Group's liabilities, and also an indemnity on undisclosed liabilities, have also been provided for by the Vendor in favour of the Purchaser in the Agreement. It is also a condition precedent to Completion that the Vendor shall have issued a written confirmation to the Company (in a form and content satisfactory to the Company) confirming that the Target Group has no other debts other than those disclosed in the Agreement or the Announcement. The Board is of the view the Group has conducted sufficient due diligence such measures to ensure there are no undisclosed liabilities of the Target Group and are of the view that there would be no undisclosed liabilities of the Target Group as at the date of the Agreement.

Risks relating to the liabilities of the Target Group and the Group's assessment

There is a risk that the Group may not be able to repay the liabilities of the Target Group after Completion as and when they become due.

If there is a default in the repayment of the Minsheng Bank Loan and the Minsheng Bank Guarantees by Kaisa Healthcare Investment, Minsheng Bank may be able to enforce the share pledge given by Kaisa Healthcare Investment in favour of Minsheng Bank over the 54.84% equity interest held by Kaisa Healthcare Investment in the Project Company, in which case there may be a forced sale of such 54.84% equity interest in the Project Company for the purpose of debt settlement, after which the Group will cease to have interest in the Project Company.

If there is a default in the repayment of the Ruihong Guarantee by Kaisa Healthcare Investment as guarantor, Ruihong Real Estate may enforce the Ruihong Judgment against Kaisa Healthcare Investment or its assets, being the 54.84% equity interest held by Kaisa Healthcare Investment in the Project Company.

Despite the above risks, the Company has conducted a cashflow assessment and is of the view that after Completion, the Group will have liquidity to repay the Target Group's liabilities as and when due and will have sufficient funding to operate the Existing Businesses and the Project Business, based on the following assumptions:

– The Project Group will receive the forecasted cash flows as set out in the Valuation and will be able to distribute profits to the Target Holding Companies.

– The Group will receive distribution in a total amount of RMB144 million in connection with its investment in an investment fund (the "**Relevant Fund**"). The Relevant Fund was established in 2018 and has a 10-year investment term which will expire in 2028. The purpose of the Relevant Fund is to invest in companies with investment value and development potential in consumption upgrading and industry upgrading. The balance of the interests held by the Group in the Relevant Fund was approximately RMB144 million as at 31 December 2025. The Relevant Fund has been making distribution to the investors, and the Group has received RMB60,690,000 from the Relevant Fund by the end of 2025. It is expected that the Relevant Fund will make distribution of RMB20 million in each of 2026 and 2027 and RMB104 million to the Group upon the expiry of the investment term of the Relevant Fund in 2028.

– The Group will continue to receive cashflow from the Existing Businesses, and which is expected to improve taking into account the synergistic effects of the Acquisition. For each of the three years ended 31 December 2024, the Group received cashflow from the existing businesses of the Group, received cashflow from the Existing Businesses in the amount of RMB6 million, RMB5 million and RMB11 million respectively, and it is assumed that the Group will receive cashflow from the Existing Businesses of approximately RMB20 million in each of 2026 and 2027, and approximately RMB31 million in each of 2028 to 2034.

– The Group will receive approximately RMB500 million from debt and/or equity financing by 2028. Various financial institutions have been seeking to invest in the Project Company for some time. The Group has been in discussions with various potential investors, who are generally interested in an equity stake of the Company. In view of the existing level of interest from potential investors, the Company is of the view that, after completion of the Acquisition, the Company would be able to secure financing in the capital markets through its listed platform to cover the existing debt of the Target Holding Companies.

– The Company's annual corporate expenses of RMB12 million has been determined based on estimated administrative and other costs such as fees to professional parties.

C. SPECIFIC MANDATE

The Consideration Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the SGM. The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the outstanding Shares in issue on the date of the allotment and issue of the Consideration Shares.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

D. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the securities of the Company in issue comprise of (i) 5,042,139,374 Shares; and (ii) 92,000,000 outstanding share options of the Company.

The following shareholding table shows the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation having become effective; (iii) immediately after the allotment and issue of the Consideration Shares and taking into account the effect of the Share Consolidation, in each case assuming that no other further Shares will be allotted and issued between the Latest Practicable Date and the date of the allotment and issue of the Consideration Shares (as the case may be):

Name of Shareholders	**As at the Latest Practicable Date**		**Immediately after the Share Consolidation having become effective**		**Immediately after the allotment and issue of the Consideration Shares and taking into account the effect of the Share Consolidation**	
	No. of Shares	*Approximate % of the issued share capital of the Company*	*No. of Shares*	*Approximate % of the issued share capital of the Company*	*No. of Shares*	*Approximate % of the issued share capital of the Company*
Vendor *(Note 1)*	–	–	–	–	2,789,967	2.69
Kaisa Group *(Note 1)*	2,167,600,491	42.99	43,352,009	42.99	43,352,009	41.83
Sub-total for the Vendor and Kaisa Group	**2,167,600,491**	**42.99**	**43,352,009**	**42.99**	**46,141,976**	**44.52**
Ying Hua Holdings *(Note 2)*	308,000,000	6.11	6,160,000	6.11	6,160,000	5.94
Ms. Chan *(Note 3)*	2,020,000	0.04	40,400	0.04	40,400	0.04
Sub-total for the Vendor, Kaisa Group and parties acting in concert with any of them	**2,477,620,491**	**49.14**	**49,552,409**	**49.14**	**52,342,376**	**50.51**
Public Shareholders	2,564,518,883	50.86	51,290,378	50.90	51,290,378	49.49
Total	**5,042,139,374**	**100**	**100,842,787**	**100**	**103,632,754**	**100**

The following shareholding table shows the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Consideration Shares (without taking into account the effect of the Share Consolidation), in each case assuming that no other further Shares will be allotted and issued between the Latest Practicable Date and the date of the allotment and issue of the Consideration Shares (as the case may be):

Name of Shareholders	**As at the Latest Practicable Date**		**Immediately after the allotment and issue of the Consideration Shares (without taking into account the effect of the Share Consolidation)**	
	No. of Shares	*Approximate % of the issued share capital of the Company*	*No. of Shares*	*Approximate % of the issued share capital of the Company*
Vendor *(Note 1)*	–	–	139,498,364	2.69
Kaisa Group *(Note 1)*	2,167,600,491	42.99	2,167,600,491	41.83
Sub-total for the Vendor and Kaisa Group	**2,167,600,491**	**42.99**	**2,307,098,855**	**44.52**
Ying Hua Holdings *(Note 2)*	308,000,000	6.11	308,000,000	5.94
Ms. Chan *(Note 3)*	2,020,000	0.04	2,020,000	0.04
Sub-total for the Vendor, Kaisa Group and parties acting in concert with any of them	**2,477,620,491**	**49.14**	**2,617,118,855**	**50.51**
Public Shareholders	2,564,518,883	50.86	2,564,518,883	49.49
Total	**5,042,139,374**	**100**	**5,181,637,738**	**100**

Notes:

1. *The Vendor is an indirect wholly-owned subsidiary of Kaisa Group.*

2. *Ying Hua Holdings Limited is a company incorporated in the BVI and is wholly owned by KS Holdings 2 Limited. KS Holdings 2 Limited is the trustee of 308,000,000 Shares under a discretionary trust of which Mr. Kwok is the founder.*

3. *Ms. Chan is the spouse of Mr. Kwok.*

4. *Save for Mr. Kwok's interest as disclosed in this circular, none of the Directors holds any Shares as at the Latest Practicable Date.*

5. *The percentage figures are for reference only and may not add up to 100% due to rounding.*

As at the Latest Practicable Date, the Company does not hold any treasury shares (including any treasury shares held or deposited with CCASS) and/or repurchased shares pending cancellation.

E. INFORMATION ON THE VENDOR AND KAISA GROUP

The Vendor is a company incorporated in the British Virgin Islands with limited liability. The Vendor is principally engaged in investment holding. As at the Latest Practicable Date, the Vendor is a wholly-owned subsidiary of Paramount Access Investments Limited, which is in turn a wholly-owned subsidiary of Kaisa Group.

Kaisa Group is an exempted company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1638). Kaisa Group is an investment holding company. Kaisa Group and its subsidiaries are principally engaged in property development, property investment, property management, hotel and catering operations, cultural centre operations and health care operations, in the PRC. As at the Latest Practicable Date, the single largest shareholder of Kaisa Group is Mr. Kwok, who is interested in an aggregate of approximately 18.62% of the issued share capital of Kaisa Group.

As at the Latest Practicable Date, Kaisa Group is interested in an aggregate of 2,167,600,491 Shares, representing approximately 42.99% of the total issued Shares. Since November 2017, the Company has been accounted as a subsidiary of Kaisa Group.

Each of Kaisa Group and the Vendor is a connected person of the Company.

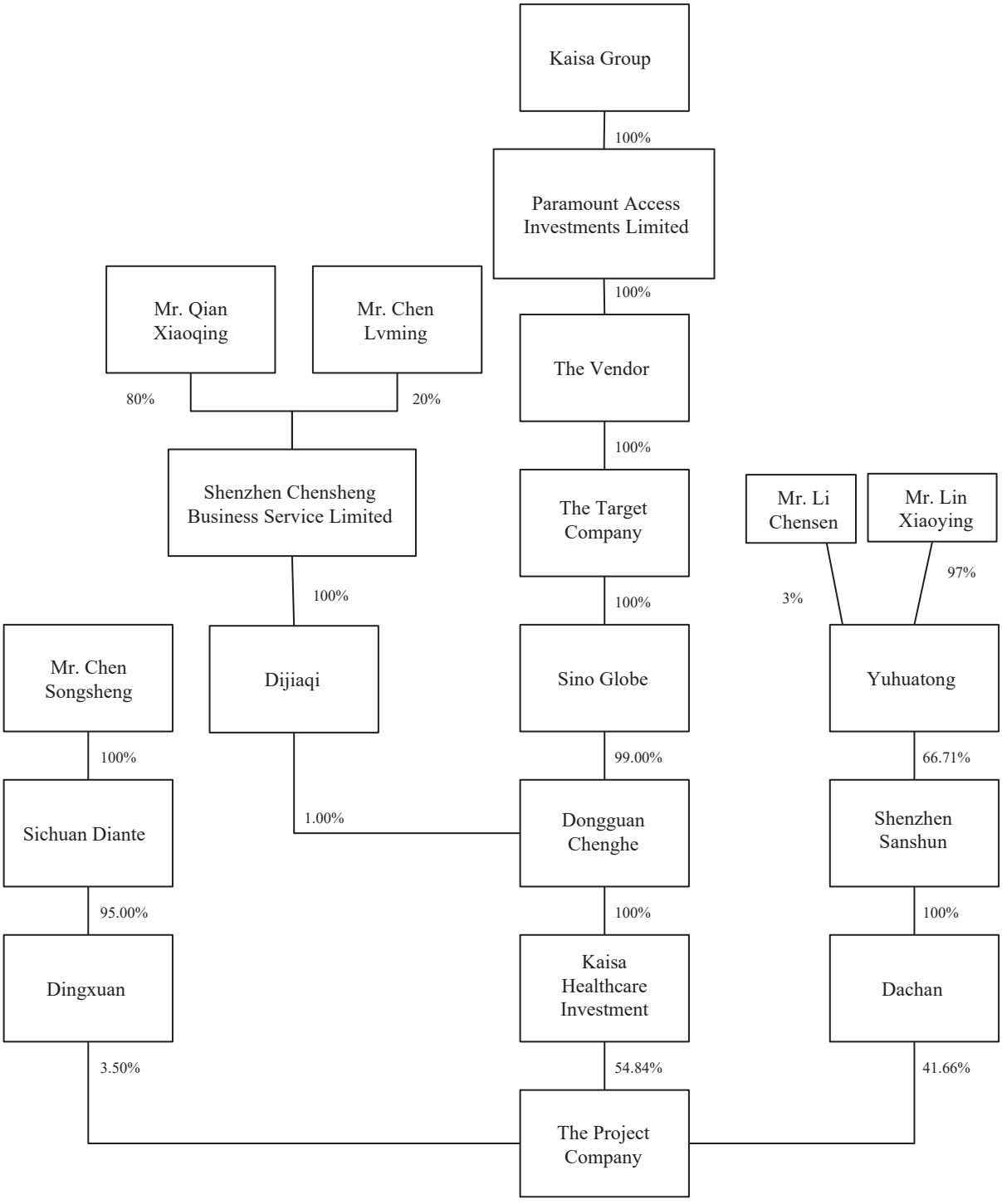
Kaisa Healthcare Investment, being a subsidiary of Kaisa Group, acquired a 54.84% equity interest in the Project Company in March 2019 at the original acquisition cost of RMB581 million. Kaisa Healthcare Investment has held such 54.84% equity interest in the Project Company since March 2019 and up to the date of the Agreement.

F. INFORMATION ON THE TARGET GROUP

As at the date of the Agreement, the Target Company holds the entire issued share capital of Sino Globe, which holds a 99% equity interest of Dongguan Chenghe, which in turn directly holds the entire issued share capital of Kaisa Healthcare Investment, which in turn directly holds a 54.84% equity interest of the Project Company. The Project Company is accounted for as an indirect subsidiary of the Target Company. Each of the Target Holding Companies is an investment holding company with no substantive business. As at the Latest Practicable Date, the assets held by the Target Group are the Project Group. Other than the Project Group, the Target Group does not hold any other asset. The principal business of the Target Group is the Project Business.

The remaining 45.16% equity interest of the Project Company is held as to (i) 41.66% by 海南達燦投資有限公司 (Hainan Dachan Investment Co. Ltd.*) ("**Dachan**"), a wholly-owned subsidiary of 深圳三順製藥有限公司 (Shenzhen Sanshun Pharmaceutical Co., Ltd.*) ("**Shenzhen Sanshun**") which is in turn ultimately owned as to 66.7% by 裕華通控股集團有限公司 (Yuhuatong Holding Group Co., Ltd.*) ("**Yuhuatong**"), which is held as to 97% by Mr. Lin Xiaoying and as to 3% by Mr. Li Chensen; and (ii) 3.5% by 海南鼎軒投資有限公司 (Hainan Dingxuan Investment Co. Ltd.*) ("**Dingxuan**"), which is in turn ultimately owned as to 95% by 四川迪安特醫藥科技有限公司 (Sichuan Diante Pharmaceutical Technology Co., Ltd.*) ("**Sichuan Diante**") whose ultimate beneficial owner is Mr. Chen Songsheng. The remaining 1% of Dongguan Chenghe is held by 深圳市迪迦啓商務服務有限公司 (Shenzhen Dijiaqi Commercial Services Company Limited*) ("**Dijiaqi**"), which is wholly-owned by Shenzhen Chensheng Business Service Limited and which is in turn held as to 80% by Mr. Qian Xiaoqing and as to 20% by Mr. Chen Lvming. Each of Dachan, Shenzhen Sanshun, Yuhuatong, Dingxuan, Sichuan Diante, Dijiaqi and their respective ultimate beneficial owners is independent of the Company and connected persons of the Company.

A structure chart of the Target Group as at the date of the Agreement is set out below:



The Project Group

The Project Company was established in the PRC with limited liability on 31 May 2000. The Project Group is engaged in the Project Business (details of which are set out in the next paragraph). The business history of the Project Company can be traced back to 青海製藥廠 (for identification only, Qinghai Pharmaceutical Plant) which was established in May 1958 as a state-owned enterprise in Qinghai Province, the PRC that operated the Project Business prior to the establishment of the Project Company. In May 2000, the Project Company was established as a corporate vehicle to take up and continue the Project Business in the form of a private limited company. The Project Company (including its predecessor) has a business history of over 60 years. As at the Latest Practicable Date, the Project Company has a registered capital of RMB100,000,000.

The Project Business

The Project Group is engaged in the research and development, manufacturing, and sale of pharmaceutical products (including anaesthetic products) in the PRC. The Project Group's principal products include the active pharmaceutical ingredients (原料藥) and products (製劑) of anaesthetic antitussive. The products of the Project Group, such as medicines that are used for pain relief or anti-infection purpose, also have general applications in dentistry. The Project Company holds a pharmaceutical product manufacturing licence (藥品生產許可證) issued by the Qinghai Medical Products Administration (青海省藥品監督管理局), the current term of which will expire on 12 November 2030. The Project Company has its own research and development and manufacturing facilities located in Xining City, Qinghai Province, the PRC with a total site area of approximately 76,000 sqm and a total gross floor area of approximately 43,890 sqm.

The Project Company expects to relocate its research and development and manufacturing facilities to a new location in Xining City, Qinghai Province, the PRC by October 2026, and the new facilities are currently in the construction stage. The new facilities will be larger in scale with a total gross floor area of approximately 89,935 sqm and production lines for the production of existing and new pharmaceutical products will be expanded to cater for the business development needs of the Project Group. In other words, the relocation and the construction of the new facilities are expected to have positive impact on the production capabilities of the Project Company, in further support of the achievement of the forecasted revenue set out in the Valuation.

In addition, the Project Company has established the Shanghai Research Institute in Shanghai, which specializes in the research and development of active pharmaceutical ingredients and formulations. These R&D investments are expected to facilitate further commercialization and enable leapfrog development in the coming years.

The Project Company is one of a very limited number of pharmaceutical manufacturers in the PRC which is designated by the NMPA to manufacture active pharmaceutical ingredients (原料藥) for narcotic and psychotropic drugs in the PRC.

As at the Latest Practicable Date, the Project Company is the registered owner of 30 patents in the PRC and is a national high and new technology enterprise (國家高新技術企業) in the PRC. At the same time, the Buprenorphine Injection product of the Project Company has won the second prize of the Science and Technology Progress Award from the State Administration of Medical Products Administration (國家醫管局科技進步二等獎) and the third prize of the Science and Technology Progress Award from the State Science and Technology Commission (國家科委科技進步三等獎). In addition, the Project Company has also won the honorary titles of National Pharmaceutical Enterprise Culture Construction Demonstration Unit (全國醫藥企業文化建設示範單位), China's Famous Consumer Product (中國消費名品), and Xining Time-honored Brand (西寧老字號).

Financial information of the Target Group

The Target Group (including the Project Group)

Set out below is certain audited consolidated financial information of the Target Group for the three years ended 31 December 2025:

	For the year ended 31 December 2023 *RMB'000* (Audited)	**For the year ended 31 December 2024** *RMB'000* (Audited)	**For the year ended 31 December 2025** *RMB'000* (Audited) *(Note)*
Net profit/(loss) before taxation	(156)	(11,739)	26,522
Net profit/(loss) after taxation	(647)	(11,269)	24,815

As at 31 December 2025, the audited consolidated net liabilities of the Target Group amounted to approximately RMB443,224,000.

Note: The Target Group recorded audited net profit for the year ended 31 December 2025, as compared with unaudited net loss before taxation of RMB575,139,000 and unaudited net loss after taxation of RMB579,537,000 for the eleven months ended 30 November 2025. The change is due to the recognition by the auditor of the Minsheng Bank Guarantees of RMB600 million as other reserves, instead of profit/loss item as determined by the management as at 30 November 2025.

The Project Group

Set out below is certain audited consolidated financial information of the Project Group for the three years ended 31 December 2025:

	For the year ended 31 December 2023 *RMB'000* (Audited)	**For the year ended 31 December 2024** *RMB'000* (Audited)	**For the year ended 31 December 2025** *RMB'000* (Audited)
Net profit/(loss) before taxation	76,837	68,227	81,870
Net profit/(loss) after taxation	67,641	60,863	72,764

As at 31 December 2025, the audited consolidated net asset value of the Project Group amounted to approximately RMB339,686,000.

The Target Group recorded a lower net profit or a net loss before tax, even though the Project Group, the principal assets of the Target Group, recorded net profits for the three years ended 31 December 2025, mainly due to the Target Holding Companies Financial Obligations, details of which are set out in the section headed "Financial Guarantees and Key Liabilities of the Target Group" in the Letter from the Board section of this circular.

G. EFFECT OF THE ACQUISITION ON THE EARNINGS, ASSETS AND LIABILITIES OF THE COMPANY

Upon Completion, the Target Company will become indirect subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated in the books and accounts of the Group. The unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular has been prepared to illustrate the financial effect of the Acquisition.

Effect on assets and liabilities

Based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix IV to this circular, which is prepared as if the Acquisition had completed on 31 December 2025 to illustrate the effect of the Acquisition, it is expected that the total assets of the Group would increase from approximately HK$471.7 million to approximately HK$1,769.8 million and the total liabilities of the Group would increase from approximately HK$73.2 million to approximately HK$1,867.2 million. As the expected increase in total liabilities is higher than the expected increase in total assets, It would turn from a net assets of approximately HK$398.5 million to net liabilities of approximately HK$97.4 million.

Effect on earnings

Based on the pro forma consolidated statement of cash flow of the Enlarged Group as set out in Appendix IV to this circular, which is prepared as if the Acquisition had completed on 31 December 2025, it is expected that the Acquisition will enable the Group to generate (i) more net cash from operating activities by reducing net cash used in operating activities from approximately HK$47.3 million to approximately HK$21.6 million; (ii) net cash from investing activities from approximately HK$6.5 million would turn to cash used in approximately HK$17.5 million; and (iii) net cash used in financing activities from approximately HK$6.2 million to approximately HK$158.4 million.

The above analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group would actually be after Completion.

H. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company and its subsidiaries are principally engaged in the dental business (the "**Dental Business**"), including the sale and production and research and development of dental prosthetics and trading of dental implant instruments, and healthcare business, including provision of public health and medical services (the "**Healthcare Business**", together with the Dental Business, collectively, the "**Existing Businesses**").

The Project Business is along the same line of business as the Existing Businesses as both of them relate to the healthcare field. Among others, both the Project Business and the Dental Business involve the research and development and production of medical products for sale and distribution through third-party distributors to downstream service providers and patient end-users. A diversification of the Group into the Project Business would allow the Group to benefit from better economies of scale in terms of sales and marketing activities and provide for cross-referral of sale opportunities through their respective distribution networks within the public and private healthcare system in the PRC, in particular in the dentistry field. A diversification of the Group into the Project Business, which is relatively mature and well-established, would also enable the Group to broaden its income stream and secure a foothold in the pharmaceutical market, which can enhance the corporate brand of the Company as a healthcare enterprise. In addition, the Company believes that the Acquisition would create a synergy for the Existing Businesses. The synergy can be reflected in the following aspects:

(a) *Facilitate the Group's strategic layout and business diversification in the healthcare sector:* the Project Business's principal products include the active pharmaceutical ingredients (原料藥) and products (製劑) of anaesthetic antitussive. The products of the Project Group, such as medicines that are used for pain relief or anti-infection purpose, also have general applications in dentistry. For instance, procaine hydrochloride injection (鹽酸普魯卡因注射液) and compound aminopyrine phenacetin tablets (去痛片) may be used for local anaesthesia and anti-inflammation purpose for medical treatment of the oral cavity; and at the post-operation rehabilitation stage, acetaminophen treatment tablets (氨酚待因片) may be used for pain relief. Hence, the Project Business is an upstream business to the Dental Business, and the Acquisition can facilitate the vertical business integration and development of the Group in the dental healthcare field;

(b) *Potential for mutual cooperation in terms of integration of sales channel resources:* The target customers of the Dental Business mainly include stomatological chain clinics, sports rehabilitation clinics, and medical aesthetic institutions. The main geographical markets of the Group's Dental Business include Mainland China covering 100 cities and overseas markets covering North America, Southeast Asia and Europe. For the Project Business, active pharmaceutical ingredients are sold to downstream pharmaceutical manufacturers through the procurement arrangement of the NMPA, while the key target customers of medical preparations mainly include large-scale hospitals and other medical institutions. Both businesses cooperate with third-party distributors to distribute their products to a large extent. There are vast opportunities for the integration of resources and mutual referrals in relation to their respective sales channel. With an enhanced scale of operation and products portfolio, the Group may be able to better leverage on economies of scale and set up its own pharmaceutical products distribution platform/company to further develop and enhance its sales and marketing capability and integrate the sales channel resources of both the Group and the Project Group to save distribution costs;

(c) *Synergy of the respective brands of the Dental Business and the Project Business among the patient end-users:* Both the Project Business and the Dental Business belong to the healthcare field. Through business cooperation, both businesses can achieve synergy in terms of expanding market reach and enriching brand content, thereby enhancing brand influence among the patient end-users. For instance, in dental clinics, the dentists may promote the anaesthetic and anti-inflammatory products of the Project Group to patients who need to undergo tooth extraction operation; and for the subsequent tooth implant operation, the patients may be more inclined to use the tooth implant products and/or other dental products of the Group. In this scenario, branding synergy can be achieved given that the patients could be more inclined to use the products of the same group based on their prior experience with other products of the same group; and

(d) *Sustainable business growth of the Group:* As mentioned above, one of the geographical market of the Group's Dental Business is North America. In recent years, due to the adverse impact of the US-China trade war and the COVID-19 pandemic, the annual sales revenue of the Dental Business has met a bottleneck and there was difficulty to grow beyond the HK$200 million level. In addition, as a result of the economic downturn and the low entry barrier of the Dental Business, competition has become more intense, resulting in a more challenging business environment. If the Acquisition can be consummated, the business layout and sales channel of the Group can be enhanced through the acquisition of the Project Company through the Target Company, and the Group will be able to establish a presence in the Big Health (大健康) field covering pharmaceuticals, medical devices and healthcare services, thereby enhancing its ability to resist risks, which will facilitate business growth of the Group on a more sustainable basis and enable the Company to bring better returns to its shareholders.

Reasons for acquiring the issued share capital of the Target Company instead of 54.84% of the Project Company

The Company decided to acquire the Target Company, which is an investment holding company without substantive business, as opposed to the Project Company which operates the Project Business, for the following reasons:

(a) the Target Holding Companies, being the holding companies of the Project Company, have the Target Holding Companies Financial Obligations, including the Minsheng Bank Loan, the Minsheng Bank Guarantees and the Ruihong Guarantee, and if the Company were to acquire the Project Company directly, the Company would have to satisfy the consideration by cash as required by creditors of the Target Holding Companies;

(b) although the Target Holding Companies have the Target Holding Companies Financial Obligations, arrangement for settlement of such obligations has been made with the relevant lenders and there will not be any immediate payment required and such liabilities reduced the amount of consideration payable for the Acquisition (given the valuation, on which the consideration payable for the Acquisition is based, has taken into account the liabilities and the valuation would be lower after such liabilities have been taken into account) and thus relieved the financial pressure on the Company;

(c) the Target Company is a company incorporated in the British Virgin Islands and the Company can satisfy the Consideration by allotment and issue of Consideration Shares instead of cash, which will alleviate immediate material cash outflow pressure on the Group;

(d) according to the "Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors" (commonly known as "**Document No. 10**") promulgated by the Ministry of Commerce of the People's Republic of China and other relevant regulations, if consideration shares being new shares of a company listed outside the PRC are issued to the vendor in connection with a direct acquisition of a company established in the PRC, the transaction will be considered a cross-border share swap, requiring approval from multiple regulatory authorities, including the Ministry of Commerce, securities regulators, and foreign exchange authorities. Such approval procedures are complex, with strict standards and lengthy processing period. Furthermore, there is a lack of clear and successful cases in practice, resulting in significant uncertainty regarding the legal feasibility of such structure and a successful completion of the transaction not being guaranteed; and

(e) in connection with the Ruihong Guarantee and the Minsheng Bank Loan, the equity interest in the Project Company had been frozen pursuant to the respective court orders in October 2023 and April 2024, impeding direct transfer of equity interest at the Project Company level until the dispute was settled, making completion of the Acquisition at the Project Company level technically impracticable or subject to significant uncertainties. The current transaction structure, on the other hand, would be less susceptible to interruptions by legal proceedings or implementation risks, and would stand a higher chance of success of completion.

If the current structure is not pursued, the consideration for the Acquisition cannot be satisfied by the allotment and issue of consideration shares by the Company, and the upfront consideration for the Acquisition cannot be reduced as a result of the liabilities. The current structure reduces the upfront cash payment obligation of the Company. Instead, as arrangement has been made with the financiers of the Target Holding Companies, this is tantamount to an acquisition finance to the Company.

In addition, the liabilities of Kaisa Healthcare Investment in respect of the Ruihong Guarantee, the Minsheng Bank Loan and the Minsheng Bank Guarantees are strictly limited to the relevant Target Holding Company who is a party to the relevant finance documents, and no member of the Group has provided or will provide any additional guarantee or security in respect of the Ruihong Guarantee, the Minsheng Bank Loan or the Minsheng Bank Guarantees. Based on the foregoing, the maximum losses borne by the Company as purchaser as a result of the Acquisition should be limited to the value of the Consideration Shares that have been allotted and issued to the Vendor, as well as any loss that may be suffered by the Project Company in future, and the risks borne by the Group as purchaser relating to the liabilities of the Target Group are set out in the section headed "FINANCIAL GUARANTEES AND KEY LIABILITIES OF THE TARGET GROUP – Risks relating to the liabilities of the Target Group and the Group's assessment" on page 43 to page 44 of this letter from the Board.

With respect to the freezing of the equity interest in the Project Company referred to paragraph (e) above, further details as set out below:

(i) the equity interest in the Project Company had been frozen pursuant to the respective court orders in October 2023 and April 2024 upon the applications by Ruihong Real Estate and Minsheng Bank respectively, which have been made before the Ruihong Guarantee was called upon in March 2024 and the Minsheng Bank Loan matured in June 2024. As at the Latest Practicable Date, the equity interest in the Project Company remains frozen as a result of the disputes in connection with the Ruihong Guarantee and the Minsheng Bank Loan, where:

(a) with respect to the Ruihong Guarantee, a judgment has been handed down by the Intermediate People's Court in Shenzhen that, among others, Kaisa Healthcare Investment shall bear joint responsibility as guarantor in respect of the underlying loan in the outstanding amount (including principal and accrued interest) of approximately RMB131 million as at 31 December 2025. It is a term of the Agreement (as a condition precedent to Completion) that the liabilities to be borne by Kaisa Healthcare Investment will be no more than RMB100 million (i.e. the Capped Liabilities). With the liability capped at RMB100 million, it is expected that sufficient liquidity will be available for the repayment as and when required (further details of which are set out in the section headed "FINANCIAL GUARANTEES AND KEY LIABILITIES OF THE TARGET GROUP" on page 41 to 43 of this letter from the Board), and an enforcement of the Ruihong Judgement against Kaisa Healthcare Investment or its assets, including the 54.84% equity interest held by Kaisa Healthcare Investment in the Project Company, resulting in the transfer of such equity interest to the relevant creditor or its designated person, is therefore not expected to occur;

(b) with respect to the Minsheng Bank Loan, the parties have entered into a settlement agreement, which has been filed with the court, and Minsheng Bank has already agreed to extend the final maturity date to 20 December 2028. An enforcement of the equity interest of the Project Company resulting in the transfer of such equity interest to the relevant creditor or its designated person is therefore not expected to occur;

(ii) from the perspective of the creditors, the primary purpose of a freezing order application, or the right of the creditor under the freezing order, is property preservation, aimed at "locking in" the asset to prevent the asset holder from malicious transfer, thereby ensuring that the creditors will have priority in receiving the proceeds from the future judicial auction of the assets. The purpose of the freezing order is not to, and does not provide for the creditor's right to, interfere with or disrupt the normal operations of the company in respect of which the equity is frozen. Such company's daily operations continue as normal and are not affected by the disputes at the shareholder level. The freezing order itself does not mean that the relevant equity interest has been enforced, or will be enforced later. Generally, the

freezing of the equity interest of the Project Company only means that the shareholder's right to dispose of such equity interest is restricted. According to PRC legal advice, pursuant to applicable PRC laws and regulations including the Civil Procedure Law of the People's Republic of China and the Provisions of the Supreme People's Court on Several Issues Concerning the Compulsory Enforcement of Equity Shares by People's Courts, and case laws in the PRC, the freezing order in connection with the Ruihong Guarantee and the Minsheng Bank Loan will not have any impact on the other shareholder rights such as dividend rights, voting rights, and information rights are not affected and the right of the Project Company to declare dividend is also not affected. As an independent legal entity, the Project Company's asset integrity and operational autonomy remain unaffected, and the normal business operations of the Project Company would not be affected;

(iii) the freezing order is not related to the Minsheng Bank Guarantees;

(iv) in terms of the freezing order applied for by Ruihong Real Estate, it is expected that the freezing order applied for by Ruihong Real Estate will remain in place until all outstanding amounts in connection with the Ruihong Guarantee have been repaid. The outstanding amounts in connection with the Ruihong Guarantee are currently expected to be repaid in 2026 and the freezing order applied for by Ruihong Real Estate is expected to be discharged upon such repayment. In terms of the freezing order applied for by Minsheng Bank, pursuant to the settlement agreement with Minsheng Bank, the freezing order applied for by Minsheng Bank will be discharged, which, as a matter of PRC judicial procedures, can only take place after the court proceedings relating to the Minsheng Bank Loan have been formally stayed. The proceedings are currently expected to be formally stayed and the freezing order applied for by Minsheng Bank is expected to be discharged in the second to third quarters of 2026, subject to the court's and/or handling judge's timetable.

The Board has assessed the risks associated with the freezing orders, as follows, and is of the view that the risks in connection therewith are controllable:

1. As set out above, the purpose and legal effect of the relevant freezing order is to restrict the shareholder's right to dispose of its shares as a property preservation measure; it does not provide any right to the creditor to interfere with or disrupt the company's own assets and operations.

2. Regarding the underlying debts that triggered the freezing order, Kaisa Healthcare Investment has already entered into a settlement agreement with Minsheng Bank, and there is a clear repayment plan in respect of the Ruihong Guarantee. Pursuant to the settlement agreement with the Minsheng Bank, the final maturity date has been extended to 2028, and with regards to the repayment plan in respect of the Ruihong Guarantee, the Group would have sufficient liquidity to repay the Capped Liabilities in connection with the Ruihong Guarantee such that an enforcement would not occur, taking into account the cash resources of the Group. In this regard, the Group has its plan and arrangement in place such that there will be sufficient cash resources to

make the repayment as well as sufficient cash resources to continue the Group's operations after the repayment. Such plan and measure include lining up different sources of cash inflow including cash inflow from the Dental Business (which is expected to improve taking into account the synergies with the Project Business as mentioned above) and the Project Business and cash inflow from other sources such as the return from the Group's existing investments. Taking into account such measures in place, enforcement of the equity interest of the Project Company resulting in the transfer of such equity interest to the relevant creditor or its designated person will therefore be extremely unlikely.

In view of the foregoing, the Board is of the view that the arrangement in place to avoid the extremely unlikely event of enforcement is fair and reasonable.

Taking into account the reasons for and benefits of the Acquisition as set out above, including the synergies brought by the Acquisition, and the reduction in the Consideration payable for the Acquisition as a result of the Target Holding Companies Financial Obligations, as well as the taking up of the Target Holding Companies Financial Obligation by the Group after Completion, the settlement terms thereof and the risks relating thereto, the Board is of the view that the Consideration and the terms and conditions of the Acquisition are fair and reasonable.

The Company has no intention, and has not entered into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and negotiation (concluded or otherwise) with an intention to dispose of or downsize the Existing Businesses as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company has no intention to change the composition of the Board as a result of the Acquisition.

As at the Latest Practicable Date, Mr. Kwok, Mr. Liu Lihao, Ms. Luo Tingting, each an executive Director, is an executive director of Kaisa Group. Therefore, the aforementioned Directors are deemed to have interest in the Acquisition and thus have abstained from voting on the Board resolution approving the Acquisition. Save for the aforesaid, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the Acquisition. The Directors (excluding the aforesaid Directors and the members of the Independent Board Committee who will express their views after having considered the advice of the Independent Financial Adviser) are of the opinion that the terms of the Agreement, including the Consideration, the Issue Price, are fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

I. LISTING RULES IMPLICATIONS

As at the date of the Agreement, the Vendor is an indirect wholly-owned subsidiary of Kaisa Group, a controlling shareholder of the Company. The Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition and connected transaction of the Company, and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in connection with the Acquisition.

SBI Capital has been appointed the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the Acquisition and as to voting by the Independent Shareholders. The appointment of SBI Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

3. THE PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every fifty (50) Existing Shares of HK$0.00125 each be consolidated into one (1) Consolidated Share of HK$0.0625 each.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions being satisfied:

(i) the passing of an ordinary resolution by the Shareholders at the SGM to approve the Share Consolidation;

(ii) the Listing Committee granting the approval for listing of, and permission to deal in the Consolidated Shares upon the Share Consolidation becoming effective; and

(iii) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Share Consolidation, if any.

Subject to the satisfaction of all the above conditions, it is expected that the Share Consolidation will become effective one clear Business Day after the date of the SGM.

With reference to the condition in paragraph (iii), as at the Latest Practicable Date, the Company is not aware of any necessary approvals from the regulatory authorities or otherwise required in respect of the Share Consolidation, other those set out in the conditions in paragraphs (i) and (ii).

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK$200,000,000 divided into 160,000,000,000 Shares of HK$0.00125 each, of which 5,042,139,374 Existing Shares have been allotted and issued, and are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective and on the basis that the Company does not allot, issue or repurchase any Existing Shares prior thereto, the authorised share capital of the Company will become HK$200,000,000 divided into 3,200,000,000 Shares of HK$0.0625 each, of which 100,842,787 Consolidated Shares will be in issue.

Save for the 92,000,000 share options of the Company which remain outstanding as at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Existing Shares as at the Latest Practicable Date.

Other than the relevant expenses incurred, the implementation of the Share Consolidation will have no effect on the consolidated total asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Group or the interests of the Shareholders as a whole, save for any fractional Consolidated Shares (if any) to which the Shareholders would otherwise be entitled. The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Company.

Status of the Consolidated Shares

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other, and the Share Consolidation will not result in any change in the relative rights of the Shareholders.

Listing application

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

OTHER ARRANGEMENTS

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares, if any, will be disregarded and will not be issued to Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Shareholders who are concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling the Existing Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

Odd lots trading arrangement

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company has appointed Grand China Securities Limited to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Details of the odd lots arrangement will be set out in the circular to be despatched to the Shareholders.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

Exchange of share certificates

Subject to the Share Consolidation becoming effective, Shareholders may, on or after 22 May 2026 until 2 July 2026 (both days inclusive), submit share certificates for the Existing Shares (in pink colour) to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong to exchange, at the expense of the Company, for new share certificates of the Consolidated Shares (on the basis of fifty (50) Existing Shares for one (1) Consolidated Share), which will be in yellow colour. Thereafter, share certificates of Existing Shares will be accepted for exchange only on payment of a fee of HK$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever the number of certificates cancelled/issued is higher.

Nevertheless, after 4:10 p.m. on 29 June 2026, share certificates for the Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for the Consolidated Shares at any time but will not be accepted for trading, settlement and registration.

THE PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are currently traded on the Stock Exchange in the board lot size of 10,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 10,000 Existing Shares to 2,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK$0.082 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date, (i) the market value per board lot of 10,000 Existing Shares is HK$820; and (ii) the theoretical market value per board lot of 2,000 Consolidated Shares would be HK$8,200 assuming the Share Consolidation and the Change in Board Lot Size becoming effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

REASONS FOR THE PROPOSED SHARE CONSOLIDATION AND THE CHANGE IN BOARD LOT SIZE

The Company is an investment holding company incorporated in Bermuda with limited liability. The Group is principally engaged in the dental business, including the sale and production of dental prosthetics and trading of dental implant instruments, and healthcare business, including provision of public health and medical services.

It is worth noticing that the Existing Shares have predominantly been trading at below HK$0.1 during the past 18 months. Pursuant to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 30 August 2019, taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK$2,000. As at the Latest Practicable Date, the closing price of the Existing Shares was HK$0.082 and the Existing Shares were trading at board lot value of HK$820. For the purpose of reducing transaction costs, the Board proposes the Share Consolidation and the Change in Board Lot Size.

The Share Consolidation and the Change in Board Lot Size reduce the number of new board lots and increases the value of each new board lot. After the Share Consolidation and the Change in Board Lot Size, and based on the closing price of the Existing Shares as at the Latest Practicable Date, the theoretical market value of each new board lot will be HK$8,200. Typically, transaction fees are charged either per board lot or by trading amount. For transaction fees charged per board lot, transaction costs of dealings in fewer board lots are lower than those for more board lots. For transaction fees charged by trading amount, particularly for those that are subject to a minimum charge, increasing the value of each board lot will save costs for investors. It is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Consolidated Shares on the Stock Exchange and will reduce the overall transaction costs of dealings in the Shares. Further, the Board considers that the Change in Board Lot Size will also reduce the overall transaction and handling costs of dealings in each board lot of the Consolidated Shares, which will improve the liquidity of the Consolidated Shares.

The Company considers that although increasing its board lot size could achieve similar effects as the Share Consolidation, it will not provide any upward adjustment to the Share price. As a result of the low trading price of the Existing Shares, potential investors are likely to have the impression that the market value of the Company is also low, which makes investing in the Existing Shares less attractive. The Company is confident that after the Share Consolidation and the Change in Board Lot Size, the market image of the Company will become more positive, thereby attracting more investors and leading to more active trading in the Shares. Therefore, with a higher trading price of the Consolidated Shares and reduction in the transaction costs as a proportion of the market value of each board lot, the Company believes that the Share Consolidation and the Change in Board Lot Size will enhance the corporate image of the Company and make investing in the Consolidated Shares more attractive to a broader range of institutional and professional investors and other members of the investing public.

Given the above reasons, the Company considers that the proposed Share Consolidation and the proposed Change in Board Lot Size are justifiable despite the potential costs and negative impact arising from the creation of odd lots to Shareholders. Accordingly, the Directors consider that the Share Consolidation and the Change in Board Lot Size are beneficial to and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation, and the Company does not have any concrete plan to conduct any fund raising activities in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future development of the Group. The Company will make further announcements in this regard in accordance with the Listing Rules as and when appropriate.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Share Consolidation and the Change in Board Lot Size is as follows:

Event	Time and date
Expected date of despatch of the circular with notice and form of proxy of the SGM	On or before Tuesday, 2 June 2026
Latest date and time for lodging transfer documents in order to qualify for attending and voting at the SGM	4:30 p.m. on Monday, 15 June 2026
Closure of register of members for determining the entitlement to attend and vote at the SGM	Tuesday, 16 June 2026 to Monday, 22 June 2026 (both days inclusive)
Latest date and time for lodging forms of proxy for the SGM	11:00 a.m. on Saturday, 20 June 2026
Record date for ascertaining Shareholders' entitlement to attend and vote at the SGM	Monday, 22 June 2026
Date and time of the SGM	11:00 a.m. on Monday, 22 June 2026
Announcement of poll results of the SGM	Monday, 22 June 2026

The following events are conditional upon the fulfilment of the conditions for the implementation of the Share Consolidation as set out in the paragraph headed "Conditions of the Share Consolidation" above:

Event	**Time and date**
Effective date of the Share Consolidation	Wednesday, 24 June 2026
First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares	Wednesday, 24 June 2026
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Wednesday, 24 June 2026
Original counter for trading in the Existing Shares in board lots of 10,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Wednesday, 24 June 2026
Temporary counter for trading in the Consolidated Shares in board lots of 200 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 24 June 2026
Original counter for trading in the Consolidated Shares in new board lots of 2,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Thursday, 9 July 2026
Parallel trading in the Consolidated Shares (in form of new share certificates and existing share certificates) commences	9:00 a.m. on Thursday, 9 July 2026
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Thursday, 9 July 2026
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. on Wednesday, 29 July 2026

Event	Time and date
Temporary counter for trading in the Consolidated Shares in board lots of 200 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Wednesday, 29 July 2026
Parallel trading in Consolidated Shares (in form of new share certificates and existing share certificates) ends	4:10 p.m. on Wednesday, 29 July 2026
Latest date and time for free exchange of existing share certificates for new share certificates for the Consolidated Shares	4:30 p.m. on Friday, 31 July 2026

All times and dates in this circular refer to Hong Kong local times and dates. The expected timetable set out above is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

The Share Consolidation is conditional upon, among other things, (i) the passing of an ordinary resolution by the Shareholders at the SGM to approve the Share Consolidation; and (ii) the Listing Committee granting the approval for listing of, and permission to deal in the Consolidated Shares upon the Share Consolidation becoming effective. In the event that the relevant approval is not granted by the Listing Committee or approved by the Shareholders, the Share Consolidation will lapse and will not proceed.

4. THE SPECIAL GENERAL MEETING AND PROXY ARRANGEMENT

The SGM will be convened by the Company with a view to seek approval of the Independent Shareholders in respect of the Acquisition and the Shareholders in respect of the Share Consolidation in accordance with the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in connection with the Acquisition. SBI Capital has been appointed the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the Acquisition and as to voting by the Independent Shareholders.

As at the date of the Board resolutions considering the Agreement and the transactions contemplated thereunder, Mr. Kwok, Mr. Liu Lihao, Ms. Luo Tingting, each an executive Director, is an executive director of Kaisa Group. Therefore, the aforementioned Directors are deemed to have interest in the Acquisition and thus have abstained from voting on the Board resolution approving the Acquisition. Save for the aforesaid, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the Acquisition.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the relevant connected transaction must abstain from voting on the relevant resolution at the SGM. As at the Latest Practicable Date, Kaisa Group is a substantial Shareholder interested in approximately 42.99% of the total number of Shares in issue of the Company and the Vendor is a wholly-owned subsidiary of Kaisa Group. Accordingly, Kaisa Group will be required to abstain from voting on the resolution regarding the Acquisition at the SGM. Save for Kaisa Group, and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Agreement and the transactions contemplated thereunder and therefore, no other Shareholder is required to abstain from voting at the SGM for the resolution regarding the Acquisition.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder would have a material interest in the Share Consolidation which is different from other Shareholders, and no Shareholder should be required to abstain from voting on the resolution approving the Share Consolidation at the SGM.

Pursuant to Rule 13.39(4) of the Listing Rules, the resolutions to be proposed at the SGM will be decided by poll. An announcement on the poll results will be published by the Company after the SGM in the manner prescribed under the Rule 19.39(5) of the Listing Rules. The notice of the SGM is set out on pages SGM-1 to SGM-2 of this circular.

A form of proxy for use in connection with the SGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.kaisahealth.com). To be valid, whether or not you are able to attend the SGM, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority, to the Company's Branch Share Registrar and Transfer Office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than forty-eight (48) hours before the time appointed for holding the SGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM if you so wish and in such event, your proxy form shall be deemed to be revoked.

To ascertain Shareholders' eligibility to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 16 June 2026 to Monday, 22 June 2026 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the SGM, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m., on Monday, 15 June 2026.

5. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee containing its opinion on the Acquisition, and its recommendation as set out on pages 68 to 69 of this circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 70 to 130 of this circular in connection with its opinion on the Acquisition, the key assumptions made, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such recommendation.

The Independent Board Committee, having taking into account the terms of the Acquisition and the advice of the Independent Financial Adviser, considers that although the Acquisition is not conducted in the ordinary and usual course of business of the Group, the Acquisition is conducted on normal commercial terms, and the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition.

The Directors consider that although the Acquisition is not conducted in the ordinary and usual course of business of the Group, the Acquisition is conducted on normal commercial terms, and the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be approved at the SGM to approve the Acquisition.

In addition, the Directors consider that the Share Consolidation is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be approved at the SGM to approve the Share Consolidation.

6. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

7. WARNINGS

As each of the Share Consolidation and the Acquisition is conditional upon fulfillment or waiver (where applicable) of a number of conditions precedent, the Share Consolidation and the Acquisition may or may not proceed, respectively.

Shareholders and potential investors are urged to exercise extreme caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers.

Yours faithfully,
For and on behalf of the Board
Kaisa Health Group Holdings Limited
Kwok Ying Shing
Chairman and Executive Director

Kaisa Health Group Holdings Limited
佳兆業健康集團控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 876)

2 June 2026

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; (2) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER; (3) PROPOSED SHARE CONSOLIDATION; (4) PROPOSED CHANGE IN BOARD LOT SIZE; AND NOTICE OF SPECIAL GENERAL MEETING

We refer to the circular of the Company dated 2 June 2026 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as the members of the Independent Board Committee to consider and advise the Independent Shareholders as to whether the terms of the Acquisition are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

SBI Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition. The text of the letter of advice from SBI Capital containing their opinion and recommendation, the reasons for their opinion, the key assumptions made and the principal factors they have taken into consideration in arriving at their recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 70 to 130 of the Circular.

Having taken into account the terms of the Acquisition and the advice of SBI Capital, we consider that although the Acquisition is not conducted in the ordinary and usual course of business of the Group, the Acquisition is conducted on normal commercial terms, and the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition.

Yours faithfully,
For and on behalf of the Independent Board Committee

Dr. Liu Yanwen	**Dr. Lyu Aiping**	**Ms. Li Zhiying**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

Set out below is the full text of a letter of advice from SBI China Capital Hong Kong Securities Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for inclusion in this circular.

軟庫中華 SBI China

2 June 2026

To: The Independent Board Committee and the Independent Shareholders of Kaisa Health Group Holdings Limited

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 2 June 2026 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 18 March 2026, the Company (as purchaser) and the Vendor (as vendor) entered into the Agreement pursuant to which the Company conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, for the Consideration in the amount of RMB21,603,729 (equivalent to approximately HK$24,412,214), which will be fully satisfied by the allotment and issue of Consideration Shares upon Completion. Upon Completion, the Company will, through the Target Company, hold a 54.84% equity interest of the Project Company. Members of the Target Group (including, for the avoidance of doubt, the Project Group) will become subsidiaries of the Company and accordingly, their financial results and positions will be consolidated into the consolidated financial statements of the Company.

As at the date of the Agreement, the Vendor is an indirect wholly-owned subsidiary of Kaisa Group, a controlling shareholder of the Company. The Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition and connected transaction of the Company, and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Liu Yanwen, Dr. Lyu Aiping and Ms. Li Zhiying has been established to advise the Independent Shareholders as to (i) whether the Acquisition is conducted in the ordinary and usual course of business of the Group, and the Acquisition is conducted on normal commercial terms, and whether the terms are fair and reasonable and in the interests of the Independent Shareholders and the Company as a whole; and (ii) how to vote on the resolution(s) relating to the Acquisition.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to (i) whether the Acquisition is conducted in the ordinary and usual course of business of the Group, and the Acquisition is conducted on normal commercial terms; and whether the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned; and whether they are in the interests of the Shareholders and the Company as a whole; and (ii) how the Independent Shareholders should vote in respect of the resolutions relating to the Acquisition at the SGM. Our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Acquisition has been approved by the Independent Board Committee.

During the past two years, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on the information and facts supplied and opinions expressed by the management of the Group. We have assumed that all information and representations provided by the management of the Group, for which they are solely responsible, were true and accurate at the time they were prepared or made and will continue to be so up to the Latest Practicable Date. Should there be any subsequent material changes which occurred during the period from the date of the Circular up to the date of the SGM and would affect or alter our opinion, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible. We have no reason to doubt the truth, accuracy or completeness of the information and representations made to us by the management of the Group. We have been advised that no material facts have been omitted from the information supplied and opinions expressed. As such, we have no reason to suspect that any relevant information has been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided by the management of the Group to us, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information provided by the management of the Group.

All Directors jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Acquisition, we have taken into consideration the following principal factors and reasons:

(1) Background information of the Company

The Company is an investment holding company incorporated in Bermuda with limited liability. The Group is principally engaged in the dental business, including the sale and production of dental prosthetics and trading of dental implant instruments, and healthcare business, including provision of public health and medical services.

Financial performance

The following table summarises the financial performance of the Group for the years ended 31 December 2023, 2024 and 2025 as extracted from the annual report of the Company for the year ended 31 December 2024 (the "**2024 Annual Report**") and the annual report of the Company for the year ended 31 December 2025 (the "**2025 Annual Report**").

	For the year ended 31 December		
	2025	**2024**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Revenue	**139,112**	**185,357**	**185,882**
Dental Business			
– Manufacturing and sales of dental prosthetics and implant instruments	132,034	178,981	179,441
Health Care Business			
– Provision of sport rehabilitation services and health leisure services	7,078	6,376	6,441
Cost of sales	(88,468)	(103,499)	(104,809)
Gross profit	**50,644**	**81,858**	**81,073**
Gross profit margin	**36.4%**	**44.2%**	**43.6%**
(Loss)/profit for the year	**(46,848)**	**(50,600)**	**6,150**

For the two years ended 31 December 2024 and 2025

Revenue amounted to approximately HK$139.1 million for the year ended 31 December 2025, representing a decrease of approximately HK$46.2 million (or approximately 24.9%) as compared to approximately HK$185.4 million for the year ended 31 December 2024 due to (i) the decrease in revenue from manufacturing and sales of dental prosthetics and implant instruments from approximately HK$179.4 million for the year ended 31 December 2024 to approximately HK$132.0 million for the year ended 31 December 2025. We understand from the 2025 Annual Report that the decrease was mainly attributable to the on-going adverse impact of the PRC government's policy (centralised procurement prices) include, among others, setting price ceilings for dental products sold in the country. The decrease in the gross profit margin of approximately 7.8% compared with the year ended 31 December 2024 was mainly attributable to a decrease in average selling price from the Dental Business during the year ended 31 December 2025.

Net loss amounted to approximately HK$46.8 million for the year ended 31 December 2025, slightly alleviated from the net loss of approximately HK$50.6 million (or approximately 7.4%) for the year ended 31 December 2024 mainly attributable to the decrease in gross profit of approximately HK$31.3 million (or approximately 38.2%) mainly due to the decrease in the gross profit for the Dental Business was partly offset by (i) the change in fair value of financial assets at fair value through profit or loss ("**FVTPL**") turned from a loss of approximately HK$9.8 million for the year ended 31 December 2024 to a gain of approximately HK$10.6 million for the year ended 31 December 2025. The Group has engaged an independent professional qualified valuer, Hong Kong Appraisal Advisory Limited, to perform the fair value valuation of all its financial assets at FVTPL as at 31 December 2025; and (ii) the impairment loss recognised on other receivables (net) narrowed by approximately HK$18.8 million from approximately HK$21.9 million for the year ended 31 December 2024 to approximately HK$3.1 million for the year ended 31 December 2025 mainly due to a prior impairment loss recognised on a deposit paid of approximately HK$21.2 million for an acquisition of land use rights. The acquisition was terminated during the year ended 31 December 2023 and the counterparty did not refund the amount in the year ended 31 December 2024 and the uncollected amount was fully impaired during the year ended 31 December 2024. The deposits remained unrecovered during the year ended 31 December 2025.

During the year ended 31 December 2025, the Group's selling and distribution costs increased by approximately HK$3.6 million (or approximately 7.6%) from approximately HK$47.6 million for the year ended 31 December 2024 to approximately HK$51.2 million for the year ended 31 December 2025 mainly due to the increase in marketing and promotion expenses. The Group's administrative expenses decreased by approximately HK$10.9 million (or approximately 23.7%) from approximately HK$46.0 million for the year ended 31 December 2024 to approximately HK$35.1 million for the year ended 31 December 2025 mainly due to lower labour costs and improved management efficiency. The Group's research and development ("**R&D**") expenses increased by approximately HK$4.4 million from approximately HK$12.5 million for the year ended 31 December 2024 to approximately HK$16.9 million for the year ended 31 December 2025 mainly due to the increase in labour costs. The Group spent its investments in R&D to enhance the competitiveness, production capacity, popularity of its products in the future while reducing labour costs.

For the two years ended 31 December 2023 and 2024

Revenue amounted to approximately HK$185.4 million for the year ended 31 December 2024, representing a decrease of approximately HK$0.5 million (or approximately 0.3%) as compared to approximately HK$185.9 million for the year ended 31 December 2023 mainly attributable to the decline in the average selling price of products. The increase in gross profit margin of approximately 0.6% compared with that for the year ended 31 December 2023 was mainly attributable to the decrease in the cost of sales due to the improved production and management efficiency during the year ended 31 December 2024.

The Group turned from a net profit of approximately HK$6.2 million for the year ended 31 December 2023 to a net loss of approximately HK$50.6 million for the year ended 31 December 2024 mainly attributable to the absence of gains on disposal of subsidiaries which amounted to approximately HK$69.4 million for the year ended 31 December 2023. This related to the Group's entering into a sale and purchase agreement with an independent third party (the "**Purchaser**") on 4 May 2023 to dispose (the "**Disposal**") certain of its equity interests in Haoyi Healthcare Services (Shenzhen) Partnership (Limited Partnership)* (浩易康養服務(深圳)合夥企業(有限合夥)) ("**Haoyi Partnership**") and Guanghao Health Consulting Services (Zhuhai) Co., Ltd.* (光浩健康諮詢服務(珠海市)有限公司 (i.e. the "**Disposal Group**"). Upon the Disposal, the Group ceased to be the general partner of Haoyi Partnership which has the power to direct the relevant activities of Haoyi Partnership and its subsidiaries, resulting from the Group losing control over the Disposal Group. While losses from change in fair value of financial assets at FVTPL alleviated from approximately HK$21.3 million for the year ended 31 December 2023 to approximately HK$9.8 million for the year ended 31 December 2024, impairment loss recognised on other receivables (net) enlarged from approximately HK$4.1 million for the year ended 31 December 2023 to approximately HK$21.9 million for the year ended 31 December 2024. The increase in impairment loss recognised on other receivables was mainly due to an impairment loss recognised on a deposit paid of approximately HK$21.2 million for an acquisition of land use rights. The acquisition was terminated during the year ended 31 December 2023 and the counterparty did not refund the amount in 2024 and up to the 2024 Annual Report and the uncollected amount was fully impaired during the year ended 31 December 2024.

During the year ended 31 December 2024, the Group's selling and distribution costs decreased by approximately HK$1.9 million (or approximately 3.8%) from approximately HK$49.5 million for the year ended 31 December 2023 to approximately HK$47.6 million for the year ended 31 December 2024. The decrease in selling and distribution costs was in line with the decrease in sales. The Group's administrative expenses decreased by approximately HK$11.9 million (or approximately 20.6%) from approximately HK$57.9 million for the year ended 31 December 2023 to approximately HK$46.0 million for the year ended 31 December 2024 mainly due to lower general administrative costs for reduced operational projects and the decrease in professional service fees. The Group's R&D expenses decreased by approximately 25.6% from approximately HK$16.8 million for the year ended 31 December 2023 to approximately HK$12.5 million for the year ended 31 December 2024 mainly due to the reduction in number of R&D headcount. The Group spent its investments in R&D to enhance the competitiveness, production capacity, popularity of its products in the future while reducing labour costs.

Financial position

Set out below is the summary of the financial position of the Group as at 31 December 2023, 2024 and 2025 as extracted from the 2024 Annual Report and the 2025 Annual Report:

	As at 31 December		
	2025	**2024**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Total assets	471,709	517,593	605,067
Total liabilities	73,212	91,102	113,303
Net assets	398,497	426,491	491,764

Comparison between 31 December 2024 and 31 December 2025

Total assets decreased by approximately HK$45.9 million from approximately HK$517.6 million as at 31 December 2024 to approximately HK$471.7 million as at 31 December 2025. Such decrease was mainly attributable to the decrease in bank balances and cash by approximately HK$40.0 million mainly due to the losses from the Group's business operation and cash outflow from operating activities as advised by the management of the Group.

Other key assets items include (i) financial assets at FVTPL which increased by approximately HK$2.0 million to approximately HK$162.2 million as at 31 December 2025, representing the Group's limited partnership interests in Zhuhai Partnership and Haoyi Partnership. The Company intends to hold these investments for long term strategic purposes and thus, these two limited partnership entities are accounted for as financial assets at FVTPL; and (ii) trade and other receivables, which decreased by approximately HK$17.1 million to approximately HK$131.1 million as at 31 December 2025, was in line with the decrease in revenue as advised by the management of the Group.

Total liabilities decreased by approximately HK$17.9 million from approximately HK$91.1 million as at 31 December 2024 to approximately HK$73.2 million as at 31 December 2025. Such decrease was mainly attributable to (i) the decrease in trade and other payables by approximately HK$14.3 million to approximately HK$50.5 million as at 31 December 2025 primarily due to the decrease in receipts in advance by approximately HK$8.9 million to approximately HK$16.2 million and the decrease in other payables by approximately HK$7.3 million to approximately HK$13.4 million; and (ii) taxation payable by approximately HK$6.5 million.

Other key liabilities items include lease liabilities, which increased by approximately HK$2.8 million from HK$10.6 million as at 31 December 2024 to approximately HK$13.5 million as at 31 December 2025 mainly due to the renewal of certain lease agreements upon their expiry in 2025 as advised by the management of the Group.

Given the above, net assets decreased by approximately HK$28.0 million to approximately HK$398.5 million as at 31 December 2025. As at 31 December 2025, no gearing ratio was calculated as there was no net debt (defined as other financial liabilities less cash and cash equivalents) of the Group.

Comparison between 31 December 2023 and 31 December 2024

Total assets decreased by approximately HK$87.5 million from approximately HK$605.1 million as at 31 December 2023 to approximately HK$517.6 million as at 31 December 2024. Such decrease was mainly attributable to (i) the decrease in financial assets at FVTPL by approximately HK$32.9 million; (ii) the decrease in trade and other receivables by approximately HK$11.2 million mainly due to the increase in impairments on other receivables, prepayments and deposits by approximately HK$21.2 million partly offset by the increase in trade receivables by approximately HK$9.3 million; the decrease in bank balances and cash by approximately HK$24.5 million mainly due to the losses from the Group's business operation and the fluctuation on exchange rates as advised by the management of the Group; and the absence of amount due from a former director of the Company (i.e. Mr. Wu Tianyu, the executive director of the Company who was retired on 14 June 2024) which was approximately HK$6.8 million as at 31 December 2023 and was fully repaid during the year ended 31 December 2024.

No other key assets items except those discussed above.

Total liabilities decreased by approximately HK$22.2 million from approximately HK$113.3 million as at 31 December 2023 to approximately HK$91.1 million as at 31 December 2024. Such decrease was mainly attributable to (i) the decrease in trade and other payables by approximately HK$9.3 million to approximately HK$64.8 million as at 31 December 2024 primarily due to the decrease in other payables by approximately HK$10.5 million to approximately HK$20.7 million mainly due to the adjustment and settlement of prior period balances; and trade payables by approximately HK$21.2 million to approximately HK$5.6 million as advised by the management of the Group, which was partly offset by the increase in receipts in advance by approximately HK$24.7 million to approximately HK$25.1 million; (ii) the decrease in lease liabilities by approximately HK$7.4 million to approximately HK$10.6 million mainly due to the reduction in regular rental payments as advised by the management of the Group; and (iii) the decrease in taxation payable by approximately HK$4.9 million.

No other key liabilities items except those discussed above.

Given the above, net assets decreased by approximately HK$65.3 million to approximately HK$426.5 million as at 31 December 2024. As at 31 December 2024, no gearing ratio was calculated as there was no net debt (defined as other financial liabilities less cash and cash equivalents) of the Group.

(2) Reasons for and the benefits of the Acquisition

Detailed reasons for and benefits of the Acquisition were set out under the section headed "H. Reasons for and benefits of the Acquisition" of the Letter from the Board. We noted from the Letter from the Board that the Company and its subsidiaries are principally engaged in the dental business (the "**Dental Business**"), including the sale and production and research and development of dental prosthetics and trading of dental implant instruments, and healthcare business, including provision of public health and medical services (the "**Healthcare Business**", together with the Dental Business, collectively, the "**Existing Businesses**"). The Project Business is along the same line of business as the Existing Businesses as both of them relate to the healthcare field. Among others, both the Project Business and the Dental Business involve the research and development and production of medical products for sale and distribution through third-party distributors to downstream service providers and patient end-users.

A diversification of the Group into the Project Business would allow the Group to benefit from better economics of scale in terms of sales and marketing activities and provide for cross-referral of sales opportunities through their respective distribution networks within the public and private healthcare system in the PRC, in particular in the dentistry field. A diversification of the Group into the Project Business, which is relatively mature and well-established, would also enable the Group to broaden its income stream and secure a foothold in the pharmaceutical market, which can enhance the corporate brand of the Company as a healthcare enterprise.

As mentioned in the Letter from the Board, the Acquisition would create a synergy for the Existing Businesses in the following aspects, which are summarised as below:

(a) Facilitate the Group's strategic layout and business diversification in the healthcare sector

The principal products of the Project Business include active pharmaceutical ingredients (原料藥) and products (製劑) of anaesthetic antitussive. The products of the Project Group, such as procaine hydrochloride injection (鹽酸普魯卡因注射液), compound aminopyrine phenacetin tablets (去痛片), and acetaminophen treatment tablets (氨酚待因片), have general applications in dentistry for local anaesthesia, anti-inflammation or pain relief. Hence, the Project Business is an upstream business to the Dental Business, and the Acquisition can facilitate the vertical business integration of the Group in the dental healthcare field.

(b) Potential for mutual cooperation in terms of integration of sales channel resources

The target customers of the Dental Business mainly include stomatological chain clinics, sports rehabilitation clinics, and medical aesthetic institutions. The main geographical markets of the Dental Business include Mainland China covering 100 cities and overseas markets covering North America, Southeast Asia and Europe. Project Business customers include pharmaceutical manufacturers through the procurement arrangement of the NMPA and large-scale hospitals/medical institutions for medical preparations. Both businesses cooperate with third-party distributors to distribute their products to a large extent, creating vast opportunities for integration of resources and mutual referrals. With an enhanced scale of operation and product portfolio, the Group may establish its own pharmaceutical distribution platform/company to strengthen sales and marketing capability and reduce distribution costs.

(c) Synergy of the respective brands of the Dental Business and the Project Business among the patient end-users

Both the Project Business and the Dental Business belong to the healthcare field and can cooperate to expand market reach and enrich brand content. For instance, in dental clinics, the dentists may promote the anaesthetic and anti-inflammatory products of the Project Group to patients undergoing tooth extraction, who may then be more inclined to use the tooth implant products and/or other dental products of the Group. This creates branding synergy, as patients are more likely to use products of the same group based on prior experience.

(d) Sustainable business growth of the Group

The Dental Business has faced bottlenecks, and its sales revenue has been constrained as a result. The Acquisition would enhance the Group's business layout and sales channels, establishing a presence in the Big Health (大健康) field covering pharmaceuticals, medical devices and healthcare services, thereby enhancing its ability to resist risks, which will facilitate business growth of the Group on a more sustainable basis and enable the Company to bring better returns to its shareholders.

Our assessment

We noted that revenue from the Dental Business accounted for approximately 96.5%, 96.6% and 94.9% of the Group's total revenue for the years ended 31 December 2023, 2024 and 2025, respectively. The Group recorded a slim net profit of approximately HK$6.2 million for the year ended 31 December 2023 and net losses of approximately HK$46.8 million and approximately HK$50.6 million for the years ended 31 December 2024 and 2025, respectively. In view of the deterioration of the financial performance of the Dental Business, we concur with the management of the Group that the Group has the need to explore other business opportunities for sustained growth and diversification to ensure long-term stability.

We are of the view that the Acquisition is fair and reasonable and in the interests of the Company and its Shareholders as a whole having considered that:

(i) the Acquisition will diversify the Group's business into the pharmaceutical sector, thereby reducing its heavy reliance on the Dental Business which has shown weak performance;

(ii) the Acquisition is expected to bring branding synergy, vertical integration in the dental healthcare field and integration of sales channel resources. As mentioned in the 2025 Annual Report, development strategy of the Group centers on deepening core markets and enhancing brand value, continuously strengthening industrial layout and resource integration to enhance shareholder value; therefore, the Acquisition is in line with the Group's business strategy. Details of the expected branding synergy and integration of sales channel resources from the Acquisition are set out below:

Branding synergy

As advised by the management of the Group, following the Acquisition, the expected branding synergy will primarily arise from the integration of credentials, channels, service offerings and market presence across its pharmaceutical, dental and rehabilitation segments. In particular, the Project Company's strong regulatory credentials, manufacturing licenses, and established reputation within public hospital systems will provide a credible pharmaceutical brand endorsement, thereby enhancing the perceived professionalism and trustworthiness of the Group's dental and rehabilitation businesses. Furthermore, its extensive network of over 8,000 medical institutions, including public hospitals, will enable the Group to increase the visibility and recognition of its private-focused dental and rehabilitation services within the broader healthcare system. In addition, the alignment of pharmaceutical products with clinical services such as dental treatment, post-operative care, and rehabilitation therapy, will support the development of an integrated, one-stop healthcare model, reinforcing the Group's brand identity as a comprehensive healthcare provider. Through cross-referrals, shared branding and coordinated marketing efforts, the Group is also expected to reduce customer soliciting costs while further enhancing brand exposure and market recognition.

Integration of sales channel resources

As advised by the management of the Group, the integration of sales channel resources is expected to be driven by the strong overlap in downstream service providers and patient end-users between the Dental Business and the Project Business. Both businesses share similar service providers, such as public hospitals, dental departments in general hospitals, specialized dental institutions, private dental chains, and rehabilitation centers, allowing the Group to make use of existing hospital relationships and networks. In addition, the established distribution network of the Project Company can be combined with the Group's existing medical service channels to create a more efficient and wider-reaching system. The two businesses also serve similar patient groups, including those seeking dental treatments and those requiring post-operative and rehabilitation care. This overlap enables the Group to expand its market reach more efficiently while lowering the costs of developing new channels and soliciting customers.

According to the Group's management, the long-established and well-recognized Project Company will retain its branding after Completion. Its transfer from Kaisa Group (another listed company) into the Group will enable better decision-making and execution of market plans for both the Dental Business and the Project Business within the same group. The resulting improved timeliness will position the Enlarged Group to capture future market potential by leveraging branding synergies and integrated sales channel resources.

(iii) the Project Group is profitable and, as mentioned in the Letter from the Board, was established in May 1958 with a business history of over 60 years, demonstrating the sustainability of its operations. The Project Company recorded net profit of approximately RMB67.6 million, RMB60.9 million and RMB72.8 million for the years ended 31 December 2023, 2024 and 2025, respectively; and

(iv) by tapping into the pharmaceutical sector, the Group will be able to broaden its income stream, establish a foundation for long-term business growth and strengthen its ability to bring better returns to its shareholders.

The Target Group recorded a net loss of approximately RMB0.6 million, a net loss of approximately RMB11.3 million and a net profit of approximately RMB24.8 million for the three years ended 31 December 2025, respectively. If non-recurring items are to be excluded, the Target Group would have reported net profit of approximately RMB14.5 million, approximately RMB2.6 million and approximately RMB22.8 million, respectively for the same three years. Such non-recurring items include:

(i) the provisions for litigation amounted to approximately RMB1.3 million in 2023 and RMB10.5 million in 2024, and the reversal of the provision of litigation of approximately RMB2.02 million in 2025. Such reversal or provision for litigation are included in the other income, gains and losses (net) set out in note 8 of the accountant's report. This litigation related to a number of lawsuits of the Target Group in the ordinary course of business; and

(ii) the impairment losses recognised on financial liabilities in respect of financial guarantees amounted to approximately RMB13.9 million in 2023, approximately RMB3.3 million in 2024, and nil in 2025. This loss on financial liabilities relates to the Ruihong Guarantee.

Having considered that the Target Group's losses in 2023 and 2024 were primarily attributable to non-recurring items, we consider that such losses do not undermine the fairness and reasonableness of the Acquisition.

Overview of the pharmaceutical market in China

We have reviewed an article titled "2025年我國批准創新藥76個對外授權超千億美元 (In 2025, China approved 76 innovative drugs, with licensing deals exceeding USD100 billion)" issued by 經濟參考報 (Economic Information Daily) on 5 January 2026. Economic Information Daily was first published in 1981 and it was the first daily newspaper in New China dedicated exclusively to economic and financial reporting, pioneering the field of financial journalism in China. It is also regarded as the initiator of China's economic information service industry. According to the said article, in 2025, China's innovative drug review and approval achieved a historic breakthrough. NMPA approved 76 innovative drugs, representing a 58.3% increase compared with 48 approvals in 2024 and setting a new record. These approvals comprised 47 chemical drugs, 23 biological products, and 6 traditional Chinese medicines, with domestic innovation accounting for over 80% of chemical drugs and 91% of biological products. This reflects the effectiveness of China's regulatory reforms and the country's transition from follower to peer; and in some cases, leader in global biopharmaceutical innovation. At the same time, China's innovative drug-licensing transactions reached unprecedented levels. The total transaction value in 2025 was USD135.655 billion across 157 deals, with upfront payments of USD7 billion. This far exceeded 2024's USD51.9 billion and 94 deals, underscoring China's growing role in the global pharmaceutical value chain.

We have also reviewed a research report titled "2025年中國醫藥市場分析：規模突破4萬億元基因藥物增速領跑行業 (China Pharmaceutical Market Analysis 2025: Market Size Surpasses RMB4 Trillion, Gene Therapies Lead Industry Growth)" published by 報告大廳 (Report Hall) on its website (https://www.chinabgao.com/). According to the said website, Report Hall is operated by 北京宇博智業資訊服務有限公司 (Beijing Yubo Zhiyie Information Service Co., Ltd.) since October 2002, is a large professional market research website providing enterprises with in depth research reports, market surveys, and statistical data. To ensure comprehensiveness and objectivity, it has established strategic cooperation with major domestic data sources, including government agencies, industry associations, libraries, and information centers. Over the years, Report Hall has also built partnerships with more than 100 leading research companies and released over 100,000 valuable reports, positioning itself as a one stop multi user research platform. Given its operating history, extensive collaborations with authoritative institutions, and broad recognition in the market research industry, we have no reason to doubt on the credibility of the information published by Report Hall. According to the said research report, China's pharmaceutical industry is undergoing structural transformation. The size of China's pharmaceutical market is expected to reach RMB4.38 trillion by 2025, a 17.6% increase compared to 2022. Among these, the proportion of innovative drugs will rise to 29%, and the bio pharmaceutical sector is experiencing explosive growth. Driven by both policy and technological breakthroughs, China's pharmaceutical industry is accelerating its progress toward a stage of high-quality development. China's pharmaceutical industry is undergoing a critical transition from scale expansion to innovation-driven growth. The four elements, being R&D investment, regional innovation cluster construction, consumption up grading trends and regulatory system reform, together form the foundational framework for high-quality industrial development.

Market size of the four core pharmaceutical products of the Project Company

Buprenorphine Injection

We have reviewed a research report named as "2025年中國丁丙諾啡行業市場規模及投資前景預測分析報告 (2025 China Buprenorphine Industry Market Size and Investment Outlook Forecast Analysis Report)" published by 北京博研傳媒信息諮詢有限公司 (Beijing Boyan Consulting Information Consulting Co., Ltd. ("**Boyan Consulting**")) as commissioned and provided by the management of the Group. According to the website of Boyan Consulting, it is a company dedicated to providing professional information and has served domestic and international enterprises with consulting services, supported by its professional research team. Its service offerings include market research, consumer research, brand research, strategic research, competitor analysis, key opinion leader research, and product research. According to the said research report, looking ahead to 2025, benefiting from expanded medical insurance coverage, improved treatment networks, and increased public awareness, the buprenorphine market size is expected to reach RMB12.387 billion, representing a year-on-year growth of 15.1%. Second- and third-tier cities will become the main growth drivers, with their market contribution rate projected to rise from 43.6% in 2024 to 46.2% in 2025. It is estimated that in 2026, China's buprenorphine market size will reach RMB14.235 billion, and further grow to RMB16.392 billion in 2027, with a compound annual growth rate remaining above 14%. By 2028, the market size is expected to surpass RMB18.867 billion, reaching RMB21.703 billion in 2029. By 2030, the overall market capacity is projected to climb to RMB24.981 billion. This consistent growth trajectory reflects systematic improvements in buprenorphine's clinical value, medical insurance coverage, and production and supply capabilities.

Hydromorphone hydrochloride injection

We reviewed an article titled "700 million yuan injections, Sinopharm Group secures the position as the second domestic company (7億注射劑，國藥集團拿下國產第2家)" dated 2 December 2025 on the website of Menet (https://www.menet.com.cn/info/202512/20251202091322 1322_150043.shtml). We noted from the website of Menet that it is a major domestic provider of pharmaceutical and healthcare information, terminal data, and market research services, serving nearly a thousand mainstream pharmaceutical enterprises, securities and financial investment institutions, and research organizations both in China and abroad. Having considered that: (i) the management of the Group based on their discussions with the Valuer, advised that data of Menet is widely cited by pharmaceutical companies, making them reliable references in valuation and circulars; and (ii) according to the website of Menet, it is a comprehensive professional information service platform that integrates pharmaceutical and healthcare industry research, hospital market research, retail market research, commercial channel research, and online healthcare information services. Each month, it collects more than 30 million data entries and operates over 60 specialized databases serving the pharmaceutical and healthcare industry. Given its scale, independence, and established role in supporting pharmaceutical companies, Menet's publications can provide a solid and credible basis for reference in the pharmaceutical industry, we have no reason to doubt on the credibility of the information published by Menet. In the said article, it mentioned that according to the data of Menet, sales of hydromorphone hydrochloride injection at China's public medical institutions exceeded RMB700 million in 2024. In the first half of 2025, sales grew by 9.30% year-on-year, ranking among the Top 8 pain-relief injection products (chemical + biological). Hydromorphone hydrochloride injection currently has production approvals held by two companies, and both products have already passed the consistency evaluation. The Project Company has filed for registration under the Category 3 generic drug pathway, and once approved, it will be deemed to have passed the consistency evaluation as well.

Papaverine hydrochloride tablets

We reviewed the article titled "Top 100 drugs by hospital and retail pharmacy sales in the first half of 2023 and Q2 (with list attached) (2023年上半年及Q2醫院及零售藥店銷售額前100藥品(附名單))" on the website of CN-Healthcare (https://www.cn-healthcare.com/articlewm/20230913/ content-1604893.html), and as advised by the management of the Group, based on their best knowledge, this article contains the latest information on the sales of papaverine hydrochloride tablets available in the public domain and was used as reference for the expected growth for the forthcoming years. We noted from the website of CN-Healthcare that it is operated by Beijing Huamei Kangxun Information Technology Co., Ltd. (北京華媒康訊資訊技術股份有限公司, a company listed on the PRC's National Equities Exchange and Quotations with the stock code 872612), and is China's professional co-platform for content in the fields of medical reform, hospital management, medical education, medical innovation, and healthcare industry development. Having considered that: (i) the management of the Group based on their discussions with the Valuer, advised that data of CN-Healthcare is widely cited by pharmaceutical companies, making them reliable references in valuation and circulars; and (ii) according to the website of CN-Healthcare, the listing status makes it subject to regulatory oversight and disclosure obligations; thus, enforce its credibility

and independence, we have no reason to doubt on the credibility of the information published by CN-Healthcare. According to the said article, sales of papaverine products (罌粟鹼) to hospitals and pharmaceutical retail stores in China for the first half of 2023 increased by approximately 24% as compared to the corresponding period in 2022. As mentioned in the Valuation Report, the market size of papaverine hydrochloride injection in public hospitals in China reached RMB3 billion annually in 2023; and based on an annual growth of approximately 20%, the market size of the papaverine products is expected to reach RMB8 billion by 2030. We noted from the website of NMPA (https://www.nmpa.gov.cn/datasearch/search-result.html) that currently, the Project Company is the only manufacturer having obtained the necessary permit(s) for the manufacturing of papaverine hydrochloride tablets in China. The Project Company generated revenue of approximately RMB70.9 million from papaverine hydrochloride tablets in 2025, representing 100% of the market share for this pharmaceutical product in China.

Naloxone hydrochloride injection

We have reviewed a research report named as "2026-2030 中國注射用鹽酸納洛酮行業市場全景調研及投資價值評估諮詢報告 (2026–2030 China Naloxone Hydrochloride Injection Industry Market Panorama Research and Investment Value Assessment Consulting Report)" published by Boyan Consulting as commissioned and provided by the management of the Group. According to the said research report, in recent years, with stricter regulation of opioid use in China, continuous improvement of the emergency medical system, and growing public awareness of drug abuse issues, market demand for naloxone hydrochloride injection has continued to rise. According to industry data, between 2021 and 2025, the market size of naloxone hydrochloride injection in China increased steadily from approximately RMB264 million to approximately RMB630 million with public hospitals remaining the primary sales channel, accounting for more than 85% of total sales. By 2030, the market size is expected to exceed RMB900 million, with the average annual growth rate in the range of 6%–7%.

Having considered that (i) the reasons and benefits of the Acquisition as discussed in "our assessment" above in this letter; (ii) the Acquisition is along the same line of the Group's principal business and development strategy; and (iii) the overall development and outlook of the pharmaceutical market in the PRC are favourable; and the market sizes of the Project Company's four core pharmaceutical products demonstrate strong growth potential in China's pharmaceutical market as discussed above, we are of the view that although the Acquisition is not conducted in the ordinary and usual course of business of the Company, it is in the interests of the Company and its Shareholders as a whole.

(3) Principal terms of the Acquisition

Summarised below are principal terms of the Acquisition under the Agreement, details of which are set out in the Letter from the Board.

Date	18 March 2026
Parties	The Company (as purchaser) and the Vendor (as vendor)
Subject matter	The Company conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, subject to the terms and conditions as set out in the Agreement
Consideration	The Consideration is RMB21,603,729 (equivalent to approximately HK$24,412,214), which will be fully satisfied by: (i) assuming the Share Consolidation having taken effect, the allotment and issue of 2,789,967 Consideration Shares at the issue price of HK$8.75 per Consideration Share by the Company to the Vendor upon Completion; and (ii) assuming the Share Consolidation not having taken effect, the allotment and issue of 139,498,364 Consideration Shares at the issue price of HK$0.175 per Consideration Share by the Company to the Vendor upon Completion

3.1 Assessment of the Consideration

As mentioned in the Letter of the Board, the Consideration was arrived at after arm's length negotiations between the Company and the Vendor with reference to the market value of the 100% equity interest in the Target Company appraised by the Valuer as at 30 November 2025. Details of the Valuation are set out in the section headed "Valuation" of the Announcement and a copy of the valuation report as at 30 November 2025 (the "**Valuation Report**") issued by the Valuer is set out in Appendix III to the Announcement.

In assessing the fairness and reasonableness of the Valuation, we have taken into the following factors into account:

(i) Qualification and scope of work of the Valuer

We have reviewed and discussed with the Valuer and obtained supporting documents for the Valuer's qualification and experience. We noted from the official website of the Valuer (https://www.hkappraisal.com/about-us) that it is a leading provider of appraisal and advisory services in Hong Kong; and its services are widely adopted by public and private organisation for various purposes, including IPO, Merge & Acquisition, litigation support, investment, and financial accounting and taxation. The Valuer has track record of producing quality appraisals as public documents required by world-wide Stock Exchanges, such as the Exchange of Hong Kong, Singapore, London and New York. Dr. Jacqueline W. Huang and Mr. Nick Fung are the responsible persons of the Valuation. As advised by the Valuer, Dr. Jacqueline W. Huang has over 20 years' experience, focusing on valuation of business enterprises, intangible assets, and financial instruments for court case, transaction and financial reporting purposes. Mr. Nick Fung has over 15 years' experience in valuation of business enterprises with expertise in due diligence, analysis and valuation of various kinds of assets including privately-held shares, intellectual properties, financial derivatives and special assets. The Valuer confirmed that they are independent to the Group, the Vendor and the Target Group.

We have also reviewed the terms of engagement of the Valuer, in particular their scope of work. We noted that their scope of work is appropriate to form the opinion required to be given by the Valuer in the Valuation Report.

Based on the above, we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for performing the Valuation, and we are of the view that the scope of work of the Valuer is appropriate. We therefore consider that it is appropriate to rely on the Valuer's work and opinion.

(ii) Valuation methodologies

We have reviewed and discussed the valuation methodologies, bases and assumptions with the Valuer.

As mentioned in the Valuation Report, the Valuer has considered three generally accepted approaches, namely income approach, market approach and cost approach and adopted the discounted cash flow ("**DCF**") method under the income approach in the Valuation due to the following consideration:

(a) the market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the valued assets relative to the market comparable if necessary and appropriate. Assets for which there is an established secondary market may be appraised by this approach. The Valuer is of the view that the Project Company is still in a high growth stage, and that the market approach may not be the best method to fully reflect the actual situation currently undergoing by the Project Company, as the market approach does not fully take into account the future economic benefits of the Project Company;

(b) the cost approach is useful for holding company and for company which is to be liquidated. This approach does not focus on the income the asset generates in the future and is not powerful to value those unidentified intangibles' value of a business. Hence, the more intangible assets involved in the business, the more irrelevant the cost approach and thus the more relevant the other approaches are. In this case, the cost approach is considered not appropriate, for it does not directly incorporate information about the economic benefits contributed by the business enterprise; and

(c) the DCF method under the income approach was adopted in valuing the Project Company, which was based on the financial forecast and supporting explanations provided by the Management. The forecasted cash flow is discounted back to the valuation date, resulting in a present value of the asset. The key steps in the DCF method include: i) preparing cash flow projections, ii) determining the terminal value at the end of the explicit forecast period (if any); and iii) determining the appropriate discount rate by applying which to the forecasted future cash flows.

The calculation of the valuation as at 30 November 2025 is summarised as below:

	RMB
Market value of 100% equity interest in the Project Company before the Discount for Lack of Marketability ("DLOM") (A)	**2,555,714,818**
Less: Minority Interest (45.71%)	(1,168,176,352)
Market value of the Project Company held by the Target Company before DLOM	**1,387,538,466**
Less: Net liabilities of the Target Holding Companies (B) *(Note)*	(1,360,396,555)
Market value of 100% equity interest in the Target Company before DLOM	**27,141,911**
Less: Discount on lack of marketability (C)	20.4%
Market value of 100% equity interest in the Target Company after DLOM	**21,604,961**

Note: Each of the Target Holding Companies, i.e. the Target Company, Sino Globe, Dongguan Chenghe and Kaisa Healthcare Investment, is an investment holding company with no substantive business. The assets and liabilities of the Target Holding Companies are not related to the Project Company. Details of the liabilities of the Target Holding Companies are set out in the section headed "Financial guarantees and key liabilities of the Target Group" in the Letter from the Board.

According to the subsequent valuation report prepared by the Valuer as set out in Appendix V of the Circular, the market value of 100% equity interest in the Target Company after DLOM is RMB34,888,996 as at 31 December 2025.

Having considered that (i) the Project Company is in a high-growth stage and there are limited direct comparable companies or transactions with sufficiently similar business profiles, expected growth and profitability levels to produce meaningful comparisons; and (ii) cost approach does not adequately capture the value of further economic benefits and intangible assets of the Project Company, which are key value drivers of its business, we are of the view that it is inappropriate to cross-check the Valuation with limited market comparables or evaluate the value of a company with relatively large amount of expected future economic benefits and/or intangible assets. However, the adoption of DCF method under income approach is fair and reasonable as it reflects the intrinsic value of the Project Company based on its future economic benefits, which are the key drivers of value given its growth stage and strong development prospects.

A. Market Value of 100% equity interest in the Project Company before DLOM

Application of income approach

Under the income approach, the DCF method was adopted by the Valuer to estimate cash flows for the one month ended 31 December 2025 and the nine years ending 31 December 2034 (the "**Forecast Period**"). Please refer to "Discounted cash flow calculation (in RMB)" in Appendix I of the Valuation Report in the Announcement for details.

Revenue

The following is the breakdown of the actual revenue by the four core products and other products of the Project Company in 2025; and the forecasted revenue by the four core products and other products of the Project Company from 2026 to 2030, as provided by the Company:

	2025 *RMB'000* *Approx.* (Actual)	**2026** *RMB'000* *Approx.* (Forecasted)	**2027** *RMB'000* *Approx.* (Forecasted)	**2028** *RMB'000* *Approx.* (Forecasted)	**2029** *RMB'000* *Approx.* (Forecasted)	**2030** *RMB'000* *Approx.* (Forecasted)
Buprenorphine Injection (丁丙諾啡注射液)	18,589	17,589	58,431	112,985	200,000	300,000
Hydromorphone Injection (氫嗎啡酮注射液)	–	6,372	15,356	55,444	119,444	200,000
Papaverine Hydrochloride Tablets (鹽酸罌粟鹼片)	70,863	94,485	125,157	185,727	271,030	500,000
Naloxone Hydrochloride Injection (鹽酸納洛酮注射液)	–	20,000	20,000	20,000	20,000	20,000
Total of the four core products	**89,452**	**138,446**	**218,944**	**374,156**	**610,474**	**1,020,000**
Other products						
Dihydrocodeine Tartrate Tablets (酒石酸雙氫可待因片)	5,732	15,000	30,000	50,000	65,000	65,000
Noscapine Tablets (那可丁片)	4,843	12,027	18,030	25,033	31,537	31,540
Allylmorphine Injection (烯丙嗎啡注射液)	–	15,000	50,000	70,000	80,000	80,000
Other General Medicines (其他常規品種)	430,686	541,834	593,134	645,749	704,110	712,094
Total of other products	**441,262**	**583,862**	**691,164**	**790,782**	**880,646**	**888,634**
Total	**530,714**	**722,308**	**910,108**	**1,164,938**	**1,491,120**	**1,908,634**

Note: The actual revenue of the core products for the year ended 31 December 2025 of RMB89,452,334.92 was 12.05% higher than the projected revenue of RMB79,835,520.60 for the same period as set out in the Announcement. The actual revenue of the other products for the year ended 31 December 2025 of RMB441,261,580.91 was 10.56% lower than the projected revenue of RMB493,365,606.66 for the same period as set out in the Announcement. Taking into account the foregoing, the actual revenue of all products for the year ended 31 December 2025 of RMB530,917,198.00 was 7.41% lower than the projected revenue of RMB573,201,127.26 for the same period as set out in the Announcement. As advised by the management of the Group, such variance is mainly due to the deferred recognition of a revenue of RMB28.1 million from year-end shipments in 2025. Based on the principle of prudence, the auditors has deferred the recognition of such revenue to 2026, including RMB5.15 million from core products and RMB22.95 million from other products. After adjusting for such deferred revenue recognition, as compared with the projected figures for the year ended 31 December 2025, the actual variance for core products was +18.5%, the actual variance for other products was –6%, and the overall variance for all products was only –2.5%. Based on the foregoing, the actual and projected figures for the year ended 31 December 2025 are basically consistent, and the Company believes that the revenue projections for 2026-2030 remain achievable.

We have discussed the basis and assumptions underlying the forecasted revenue with the management of the Company and the Valuer, and understand that Management projected the Project Group's products to enter a high growth stage from 2026 to 2030, transition to maturity stage from 2031 to 2034, and reach a stability stage from 2035 onwards. The Project Group is expected to achieve annual revenue growth rate of 26%-36% over the period from 2026 to 2030 with reference to the actual revenue for the year ended 31 December 2025.

In assessing the fairness and reasonableness of the Project Company's forecasted revenue, we have performed the following works:

1. obtained and reviewed the breakdown on revenue by products of the Project Company for the year ended 31 December 2025; and noted that the actual revenue of the Project Group for the year ended 31 December 2025 amounted to approximately RMB530.7 million; of which approximately RMB18.6 million from the sales of buprenorphine injection (which represented approximately 291.1% growth as compared to the year ended 31 December 2024), approximately RMB70.9 million from the sales of papaverine hydrochloride tablets (which represented approximately 72.1% growth as compared to the year ended 31 December 2024) and approximately RMB441.3 million from the sales of other products (which represented approximately 1.8% decrease as compared to the year ended 31 December 2024);

2. obtained a copy the pharmaceutical product manufacturing licence (藥品生產許可證) issued by the Qinghai Medical Products Administration (青海省藥品監督管理局) to the Project Company; and noted that the current pharmaceutical license of the Project Company was granted by the government on 13 November 2025 and will expire on 12 November 2030;

3. understand the market size and prospects of each core product of the Project Group by reviewing research report and market data relating to buprenorphine injection, hydromorphone injection, papaverine hydrochloride tablets, and naloxone hydrochloride injection as discussed in the paragraphs under "Market size of the four core pharmaceutical products of the Project Company" under the section headed "(2) Reasons for and the benefits of the Acquisition" above in this letter;

4. reviewed the National Essential Drug List (國家基本藥物目錄) on the website of the National Health Commission and National Administration of Traditional Chinese Medicine; and the National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《國家基本醫療保險、工傷保險和生育保險藥品目錄》 on the website of The National Healthcare Security Administration (國家醫療保障局); and noted that out of the four core products of the Project Group, one core product is on the National Essential Drug List and three core products are on the National Drug Catalog for Basic Medical Insurance:

	Category under the National Essential Drug List	**Category under the National Drug Catalog for Basic Medical Insurance**	**Contribution to the Project Group's revenue for the year ended 31 December 2025**	**Status**
			(Y/N)	
Buprenorphine injection (丁丙諾啡注射液)	N/A	N/A	Y	The Project Group has commenced commercialization in 2020. An update on National Essential Drug List is widely expected in 2026, which may include the product to the list.

	Category under the National Essential Drug List	Category under the National Drug Catalog for Basic Medical Insurance	Contribution to the Project Group's revenue for the year ended 31 December 2025 (Y/N)	Status
Hydromorphone injection (氫嗎啡酮注射液)	N/A	Natural Opium Alkaloids (天然阿片鹼) of Analgesics (鎮痛藥)	N	Await approval for admission as one of the third designated manufacturers of hydromorphone injection. The management expects that the Project Group will obtain the registration approval for the product in mid-2026 and commence commercialization of the product in 2026.
Papaverine hydrochloride tablets (鹽酸罌粟鹼片)	N/A	Drugs for the Treatment of Functional Intestinal Diseases (治療功能性腸道疾病的藥物)	Y	The Project Group has commenced commercialization in 2010. The product of the Project Company was added to the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province) in 2025.

	Category under the National Essential Drug List	Category under the National Drug Catalog for Basic Medical Insurance	Contribution to the Project Group's revenue for the year ended 31 December 2025 (Y/N)	Status
Naloxone hydrochloride injection (鹽酸納洛酮注射液)	Opioid Antidote/ Opioid Antagonist for Poisoning (阿片類中毒解毒藥)	Antidote (解毒藥) of Other Therapeutic Drugs (其他治療藥物)	N	The Project Group has commenced manufacturing and expects to commence commercialization in 2026. The Project Company obtained a certificate of consistency evaluation for the product.

(i) Reasonableness of expecting buprenorphine injection to be included in the PRC National Essential Drug List.

We noted from "Reply to Proposal No. 2847 of the Third Session of the 14th National People's Congress (對十四屆全國人大三次會議第2847號建議的答覆)" dated 4 September 2025 published on the website of National Health Commission of the People's Republic of China (中華人民共和國國家衛生健康委員會) (https://www.nhc.gov.cn/wjw/jiany/202508/c5897689c787405f87f2a61103db4ebd.shtml) that the National Essential Drug List (2018 Edition) was issued based on the principles of among others, necessity for prevention and treatment, safety and efficacy, reasonable price, ease of use, clinical first choice and availability at the primary level, while taking into account China's national conditions and medication characteristics, and with reference to international experience.

In assessing international experience of buprenorphine injection, we obtained and reviewed the following international guidelines which demonstrate that buprenorphine injection is one of the most widely used opioids abroad such as Europe and the United States: (i) the ASAM National Practice Guideline for the treatment of Opioid Use Disorder published by American Society of Addition Medicine in 2020 (https://sitefinitystorage.blob.core.windows.net/sitefinity-production-blobs/docs/default-source/guidelines/npg-jam-supplement.pdf?sfvrsn=a00a52c2_4); (ii) the Canadian Clinical Practice Guidelines for Opioid Use Disorder published by Canadian Medical Association Journal in 2024 (https://www.cmaj.ca/content/196/38/E1280); and (iii) the highlights of an article named as "Recommendations for buprenorphine and methadone therapy in opioid use disorder: a European consensus" posted in 2017 on the website of Europe PMC (https://www.tandfonline.com/doi/full/10.1080/14656566.2017.1409722). According to its official website (https://europepmc.org/About), Europe PMC partners with other organisations to provide comprehensive access to life science literature from trusted sources and is available for free. We also noted from the WHO Model List of Essential Medicines – 24th List (2025) on the website of World Health Organization (https://iris.who.int/server/api/core/bitstreams/17642505-ecd3-4940-a691-4f1dfa0d835a/content) that buprenorphine is on the complementary list as therapeutic alternatives for medicines for opioid use disorders.

In addition to the above, we discussed and understood from the management of the Group that based on their best knowledge, buprenorphine injection has been highly recommended as the first-choice medication for clinical use by authoritative institutions in countries and regions such as the United States, Europe, and the United Kingdom. According to a special article named "Understanding Buprenorphine for use in Chronic Plan: Expert Opinion" under "Opioids & substance use disorders section" published by Oxford University Press, a department of the University of Oxford, on 9 January 2020 (https://academic.oup.com/painmedicine/article/21/4/714/5699282?login=false), buprenorphine is a Schedule III opioid analgesic that was approved by the Food and Drug Administration (FDA) in 1981 as an injectable agent (Buprenex) for the treatment of moderate to severe pain. More recently, novel buprenorphine formulations have been FDA approved for the management of chronic pain. Based on the above, we concurred with management of the Group that the expectation of buprenorphine injection being included in the PRC National Essential Drug List is reasonable, given its international recognition, clinical utility, and consistency with the principles outlined by the National Health Commission.

(ii) Suitability of positioning the Project Company as the third designation manufacturer of hydromorphone injection in the market

According to Appendix 2 "Regulations on the Number of Narcotic and Psychotropic Drug Manufacturing Enterprises (麻醉藥品和精神藥品生產企業數量規定)" attached to "Regulations on the Administration of Experimental Research on Narcotic and Psychotropic Drugs (麻醉藥品和精神藥品實驗研究管理規定)" published on the website of National Medical Products Administration ("**NMPA**",國家藥品督管理局) (https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.nmpa.gov.cn%2Fdirectory%2Fweb%2Fnmpa%2Fimages%2F1748577050504052454.doc&wdOrigin=BROWSELINK), the maximum number of designated manufacturers permitted for narcotic drugs such as hydromorphone injection is three.

The 2024 Annual Drug Evaluation Report (2024年度藥品審評報告) issued by the Center for Drug Evaluation (國家藥品監督管理局藥品審評中心) on its website (https://www.cde.org.cn/main/news/viewInfoCommon/54538c67b7e764fc51666567fc620241) indicates that 2,449 cases of chemical drugs under supplemental application were technically evaluated in 2024, of which 40 cases were non-approval or recommended for non-approval, reflecting an overall non-approval rate of approximately 1.63%. Based on the best knowledge of the management of the Group after having made reasonable enquiries, the Project Company's hydromorphone injection has already reached the review stage in the approval process at the Center for Drug Evaluation. It is currently the only company with a hydromorphone injection under development. Entering into the review stage requires successful completion of the "supplementation" stage, and clearance at this stage indicates that the review has essentially been accepted. In this regard, the Company believes that the probability of hydromorphone injection of the Project Company being approved, and thereby Project Company becoming one of the three manufacturers permitted in the market, is high.

We identified hydromorphone hydrochloride injection on the website of NMPA (https://www.nmpa.gov.cn/datasearch/search-result.html), which lists two designated manufacturers for this product. We understood from the management of the Group that hydromorphone hydrochloride Injection is hydromorphone injection in salt form; and in pharmaceutical practice, most opioids (including hydromorphone) are formulated as sales to improve stability and solubility. Besides, we noted from the website of Center for Drug Evaluation (國家藥品監督管理局藥品審評中心) (https://www.cde.org.cn/main/xxgk/listpage/9f9c74c73e0f8f56a8bfbc646055026d) that the hydromorphone hydrochloride injection of the Project Company has been under the approval process since October 2024. Having considered a precedent case of the hydromorphone hydrochloride injection of one of the designated manufacturers, which took approximately 22 months, the Management expects that the Project Group will be able to obtain the registration approval for the product in mid-2026 and will commence commercialisation of the product in 2026.

(iii) Our work on the Project Company's status as the only permitted manufacturer of papaverine hydrochloride tablets in China and its admission to the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province) for this product

We noted from the website of NMPA (https://www.nmpa.gov.cn/datasearch/search-result.html) that the Project Company's papaverine hydrochloride Tablets was approved on 14 May 2025. We also noted from the said website that currently, the Project Company is the only manufacturer having obtained the necessary permit(s) for the manufacturing of papaverine hydrochloride tablets in China. Furthermore, we noted from "Detailed Reporting Form of Volume Estimates for Alliance Region Medical Insurance – Designated Private Medical Institutions and Designated Pharmacies (聯盟地區醫保定點社會辦醫療機構和定點藥店報量明細表)" on the website of Guang Dong Medicine Exchange (廣東省藥品交易中心) (https://www.gdmede.com.cn/prArticle?id=1947954711453765632) that papaverine hydrochloride tablets produced by the Project Company was admitted to the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province) in 2025, whereby the government promotes the access of procured drugs to public hospitals through policies.

(iv) Our work on assessing the eligibility of the Project Company to participate in the centralized procurement for its naloxone hydrochloride injection

We obtained a copy of the certificate of consistency evaluation for naloxone hydrochloride injection issued to the Project Company; and noted from the article named "Q&A on the Reporting Policy for Medical Institutions in the Eleventh Batch of Drug Centralized Procurement (第十一批藥品集採醫療機構報量政策問答)" on the website of National Healthcare Security Administration (國家醫保障局) (https://www.nhsa.gov.cn/art/2025/8/7/art_105_17523.html) that only companies with such certificates of consistency evaluation would be permitted to participate in the centralized procurement.

In addition to the above, we obtained the financial projection of the Project Company for the Forecast Period (the "**Financial Projection**"), and we noted that:

Revenue by products

Buprenorphine injection

Revenue from buprenorphine injection is forecasted to be approximately RMB17.6 million for the year ending 31 December 2026, representing a modest decrease of approximately 5.4% from the actual revenue of approximately RMB18.6 million for the year ended 31 December 2025 based on the breakdown on revenue by pharmaceutical products of the Project Company as provided by the Company. As mentioned in the Letter from the Board, the sales in the first few years of commercialization have been limited by the fact that buprenorphine injection has not yet been added to the National Essential Drug List and the Medical Insurance Catalog, as a result of which the early commercial promotion did not achieve effective conversion, the number of products sold to hospitals was small, and the vast majority of doctors did not have access to the drug, even if they wanted to use the drug. We understood from the management of the Group that (i) the inclusion of buprenorphine injection in the National Essential Drug List and the Medical Insurance Catalog is expected to increase revenue of the Project Company primarily because drugs on these lists are more likely to be procured and prescribed by public hospitals and healthcare institutions. In addition, patients are more willing to use them as part of the cost is covered by medical insurance. As a result, buprenorphine injection is expected to become more accessible and affordable, leading to higher sales volume; and (ii) as buprenorphine injection had not yet been included in the National Essential Drug List and the Medical Insurance Catalog, many hospitals had not incorporated it into their approved drug lists, and procurement budgets were prioritised for listed and reimbursable medicines. As a result, even where doctors were aware of or clinically inclined to use the drug, they were often unable to access it within their hospital systems. In 2025, the Project Group sold the product to 11 public hospitals only.

According to 澎湃新聞 dated 3 January 2024 (https://m.thepaper.cn/baijiahao_25885947), in response to suggestions from deputies of the National People's Congress, the National Healthcare Security Administration (國家醫保障局) stated that, in terms of catalog adjustment and admission, priority would be given to essential medicines. The National Essential Medicines List would be taken as one of the conditions for declaring drugs into the medical insurance catalog. Therefore, the National Essential Drug List serves as a priority gateway for drugs to enter medical insurance coverage, facilitating hospital access and providing policy-driven sales momentum.

We have reviewed the revenue forecast assumptions for buprenorphine injection as set out in the Letter from the Board. The projections are presumed on the potential inclusion of the product in the National Essential Drug List and the Medical Insurance Catalog in 2026, anticipated access to approximately 10% of the lower range of number of large scale hospitals including but not limited to public hospitals (equivalent to 1,700 hospitals) between 2026 and 2030, with the conversion rate of 1%, 4%, 7%, 13% and 20% of new hospitals from 2026 to 2030, respectively, and gradually increasing sales targets for the Project Group, i.e. approximately RMB17 million, RMB58 million, RMB113 million, RMB200 million, and eventually RMB300 million in each year from 2026 to 2030 respectively (which is a conservative estimation in view of the Project Group's

revenue from buprenorphine injection reached approximately RMB18.6 million for the year ended 31 December 2025 and based on the existing 11 public hospitals, resulting in an annual sales rate of more than RMB900,000 per hospital). It is mentioned in the Valuation Report that the conversion rate of 20% of new hospitals is estimated based on: (i) the numerous significant product advantages of buprenorphine injection, as compared to other analgesic products; (ii) the high expectation of inclusion of the product in the National Essential Drug List and the Medical Insurance Catalog given the clinical and commercial value of the product already verified in developed countries in Europe and the America; and (iii) the promotion efforts of the Project Group through the enlarged marketing team. We are of the view that it is reasonable to assume a 20% conversion rate of new hospitals for buprenorphine injection, provided that this pharmaceutical product is included in both the National Essential Drug List and the Medical Insurance Catalog, based on: (i) the conversion rate of another product of the Project Group, papaverine hydrochloride tablets which is only included in the Medical Insurance Catalog, but not in the National Essential Drug List. This papaverine hydrochloride tablets had already achieved conversion in 200 hospitals by 2025 (representing approximately 12% of a 1,700 hospital base), according to the management of the Group. This demonstrate the feasibility of meaningful penetration even though it is only on the Medical Insurance Catalog, and thus the management of the Group prudently applied the conversion rate of this papaverine hydrochloride tablets for estimating the conversion rate of buprenorphine injection for the years from 2026-2030; and (ii) the conversion trajectory is expected to rise progressively rather than abruptly, with targets of 1%, 4%, 7%, 13%, and 20% for the years from 2026 to 2030. While the Project Company currently does not have any products simultaneously included in both the National Essential Drug List and the Medical Insurance Catalog, the management of the Group advised that three other general medicines are included in the Medical Insurance Catalog. However, these products were approved decades ago, their life cycles have entered the decline stage, and they are subject to national pricing rather than enterprise-determined pricing, which limits their potential for conversion to new hospitals and results in minimal sales contribution. Consequently, they should not be considered as comparable benchmarks for hospital conversion.

We noted from the China Health and Family Planning Statistical Yearbook 2025 (中國衛生健康統計年鑒2025) (https://www.nhc.gov.cn/mohwsbwstjxxzx/tjtjnj/202604/155ab0f98dfd4b12874f08f828df1452/files/%E7%BB%88-2025%E4%B8%AD%E5%9B%BD%E5%8D%AB%E7%94%9F%E5%81%A5%E5%BA%B7%E7%BB%9F%E8%AE%A1%E5%B9%B4%E9%89%B4.pdf) that in 2024, there was a total of 38,714 hospitals in China (comprising 11,754 public hospitals and 26,956 private hospitals); of which, 25,581 hospitals were primary or secondary hospitals; and out of the total of 38,714 hospitals, around 25,000 hospitals situate in the 22-Province Alliance Centralized Procurement System regions. Based on the experience of the management of the Group, large-scale hospitals in general have demands for the four core products offered by the Target Group, regardless of whether or not they participate in centralized procurement. We noted from the "State Council General Office Document No. 4 [2019], Opinions on Strengthening Performance Appraisal of Tertiary Public Hospitals 《國務院辦公廳關於加強三級公立醫院績效考核工作的意見》" that the proportion of essential drug use (calculated as number of essential drugs procured by the hospital ÷ total number of drugs procured by the hospital during the same period × 100%) is included as a hospital performance assessment indicator. We also noted from the "State Council General Office Document No. 47 [2019], Opinions of the General Office of the State Council on Further Ensuring the Supply and Stabilizing the Prices of Shortage Drugs《國務

院辦公廳關於進一步做好短缺藥品保供穩價工作的意見》" published on the website of the State Council of the PRC (https://www.gov.cn/gongbao/content/2019/content_5446213.htm) that the National Essential Drug List will be adjusted in a timely manner, and gradually, government run primary healthcare institutions, secondary public hospitals and tertiary public hospitals should allocate essential drugs at proportion of not less than 90%, 80% and 60% respectively.

We discussed with the management of the Group and noted that their view of the annual conversion rate of 20% as conservative is based on (i) the government policy supports mentioned above; (ii) the intention of the marketing team of the Project Company focusing on core hospitals to deliver high quality services; and (iii) their understanding that, in order to optimize the use of non-essential drugs (such as innovative drugs) while meeting the government performance assessment requirements for essential drugs, public hospitals have adopted a proactive approach towards the admission and procurement of essential drugs. The greater the proportion of essential drugs admitted and procured, the more non-essential drugs can correspondingly be utilised.

Buprenorphine injection of the Project Group is forecasted to reach the maturity stage from 2031 to 2034, with declining annual growth rates from 20% to nil.

Hydromorphone injection

Revenue from hydromorphone injection is forecasted to increase from nil to approximately RMB6.4 million for the year ending 31 December 2026. As mentioned in the Letter from the Board, based on information available to the Management, the annual average hospital sales of hydromorphone injection of an existing competitor is approximately RMB700,000 per hospital.

We have reviewed the revenue forecast assumptions for hydromorphone injection as set out in the Letter from the Board. The projections are presumed on the approval by NMPA as one of the three manufacturers for hydromorphone injection, anticipated access to approximately 10% of the lower range of number of large-scale hospitals including but not limited to public hospitals (equivalent to 1,700 hospitals) between 2026 and 2030, with the conversion rate of 1%, 1%, 5%, 10% and 20% of new hospitals from 2026 to 2030, respectively. It is mentioned in the Valuation Report that the annual conversion rate of 20% of new hospitals is estimated based on (i) the numerous significant product advantages of hydromorphone injection attributable to the special features of the product, namely strong analgesia, relatively rapid onset of action, lower side effects and higher titration efficiency; and (ii) the promotion efforts of the Project Group through the expanded marketing team. The Management has set a gradually increasing sales targets for the Project Group of approximately RMB6.4 million, RMB15 million, RMB55 million, RMB119 million, and eventually RMB200 million in each year from 2026 to 2030 with reference to an annual sales rate of approximately RMB700,000 per hospital.

Hydromorphone injection of the Project Group is forecasted to reach the maturity stage from 2031 to 2034, with declining annual growth rates from 20% to nil.

Papaverine hydrochloride tablets

Revenue from papaverine hydrochloride tablets is forecasted to be approximately RMB94.5 million for the year ending 31 December 2026, representing an increase of approximately 33.3% from the actual revenue of approximately RMB70.9 million for the year ended 31 December 2025 based on the breakdown on revenue by pharmaceutical products of the Project Company as provided by the Company. As mentioned in the Letter from the Board, sales volume of papaverine hydrochloride tablets of approximately RMB70.9 million for the year ended 31 December 2025 was generated from 200 Grade A tertiary hospitals (i.e. RMB350,000 per hospital). The papaverine hydrochloride tablets produced by the Project Group were added to the 22-Province Alliance Centralized Procurement System (led by Guangdong Province) in October 2025, with an implementation term of three years from 2026 to 2028. As the exclusive manufacturer of the product in China, it is likely that the papaverine hydrochloride tablets produced by the Project Group will be able to continue to win bid in the 22-Province Alliance Centralized Procurement System (led by Guangdong Province) if opened in future.

We have reviewed the revenue forecast assumptions for papaverine hydrochloride tablets as set out in the Letter from the Board. The projections are presumed on the continuous policy support through the 22-Province Alliance Centralized Procurement System (led by Guangdong Province), anticipated access to approximately 10% of the lower range of number of large-scale hospitals including but not limited to public hospitals (equivalent to 1,700 hospitals) between 2026 and 2030. As explained by the management of the Group, approximately 20,000 public hospitals are involved in the centralized procurement system; and in principle, all such public hospitals should procure papaverine hydrochloride tablets from manufacturers winning the bid in the 22-Province Alliance Centralized Procurement. Therefore, it is a conservative approach to assume the lower range of 1,700 hospitals will be using the product; and has set a gradually increasing sales target for the Project Group of approximately RMB94 million, RMB125 million, RMB186 million, RMB271 million, and eventually RMB500 million in each year from 2026 to 2030 with reference to an annual sales rate of approximately RMB350,000 per hospital.

Prior to being included in the 22-Province Alliance Centralised Procurement System (Led by Guangdong Province) in 2025, hospital adoption was driven entirely by commercial expansion. As advised by the management of the Group, the number of hospitals using papaverine hydrochloride tablets increased from approximately 120 in 2024 to 200 in 2025, representing a growth rate of about 70%. We are of the view that the assumption of 1,700 hospitals will be using the product is reasonable given that (i) according to the Notice on Improving the Mechanism for Centralized Drug Procurement and Implementation issued by the National Healthcare Security Administration and the National Health Commission《國家醫保局國家衛生健康委員會關於完善醫藥集中帶量採購和執行工作機制的通知》(https://www.gov.cn/zhengce/zhengceku/202412/content_6991836.htm?utm_source=copilot.com), provincial medical authorities must, from the third month of each batch of procurement, inspect and ensure hospitals to adopt the procured drugs promptly. Within the alliance's centralized procurement scope, demand for the drugs must be met as required by policy; and as advised by the management of the Company, papaverine hydrochloride tablets are widely used to treat conditions such as cerebral, cardiac, and peripheral vascular spasms, as well a visceral smooth muscle spasms, most hospitals have a clinical need for them; and (ii) the number of hospitals adopting this pharmaceutical product is expected to increase to 260 in 2026, 350 in 2027, 530 in 2028, 770 in 2029, and 1,700 in 2030. This represents a compound annual growth rate of approximately 60%, which is lower than the historical growth rate in 2025 and thus it is a conservative projection.

Papaverine hydrochloride tablets of the Project Group is forecasted to reach the maturity stage from 2031 to 2034, with declining annual growth rates from 28% to approximately 5.3%.

Naloxone hydrochloride injection

Revenue from naloxone hydrochloride injection is forecasted to increase from nil for the year ended 31 December 2025 to approximately RMB20.0 million for the year ending 31 December 2026. As mentioned in the Letter from the Board, in 2024, the smallest manufacturer (among the seven companies participated in the national centralized procurement which have achieved effective cost control) captured a market share of 8-9% (source: 《第十批國家組織藥品集中帶量採購》 published by the NHSA). In view of the fact that seven companies won the bids in national procurement of naloxone hydrochloride injection, the management of the Group anticipates that in the next round of national procurement, five to eight companies are likely to be successful as companies which failed to win in 2024 are unlikely to achieve significant cost reduction; while some of the 2024 winners may withdraw due to rising production costs. Taking a conservative approach, the Management expected that the Project Group could capture a 5% market share with annual sales of approximately RMB50 million (being RMB1 billion x 5%) in 2030.

Based on the "全國藥品集中採購中選品種供應清單 (Supply List of Selected Varieties in National Drug Centralized Procurement)" provided by the management of the Group and further discussion with the Company, we understood that the bidder winning the minimum number of contracts, i.e. contracts in two provinces (Anhui and Guizhou), has already secured coverage of a population of about 100 million people, representing approximately 8%–9% of China's total population of 1.3 billion. We consider the Management's expectation that the Project Group could achieve a 5% market share, despite being a new producer of the product, to be reasonable based on the following reasons: (i) historically, the market share of the bidder with the minimum number of contracts has exceeded 5%; (ii) according to the management of the Group, the Project Company's production cost for this pharmaceutical product is expected to be lower than the mid-to-low winning bid price in 2024; and (iii) as mentioned in the Letter from the Board, the Management estimated annual sales of the Project Group is approximately RMB50 million (being 5% market share) in 2030. However, based on a more conservative approach, the Management has set an annual sales revenue of the Project Group of RMB20 million for this pharmaceutical product for each year during the period from 2026 to 2030.

We have reviewed the revenue forecast assumptions for naloxone hydrochloride injection as set out in the Letter from the Board. The projections are presumed on the Project Company's commencement of commercialization of naloxone hydrochloride injection in 2026; and the Management's conservative approach to set an annual sales revenue of the Project Group of RMB20 million for this product for each year during the period from 2026 to 2030; and is forecasted to maintain the same amount for the period from 2031 to 2034.

Other products

Revenue from other products is forecasted to be approximately RMB583.9 million for the year ending 31 December 2026, representing an increase of approximately 32.3% from the actual revenue of approximately RMB441.5 million for the year ended 31 December 2025 based on the breakdown on revenue by pharmaceutical products of the Project Company as provided by the Company. As mentioned in the Letter from the Board, while the other products are expected to continue to drive revenue growth for the period from 2026 to 2030, the collective growth rate of the other products (32% in 2026 to 1% in 2030) is less than that of the core products (more than 50% for each year from 2026 to 2030) taking into account factors including the product attributes and clinical value, number of years of commercialization, number of substitutes available, market landscape and regulatory requirements. With the exception of two products, all of the other products have been commercialized by the Project Company and have track record of an average of five years and are expected to enter into a stabilization period starting 2030. Leveraging the existing sales network and with the assistance of the expanded sales team of the Project Company, the Project Company estimates an annual growth in sales target of 32%, 18%, 14%, 11% and 1% during the period from 2026 to 2030.

We are advised by the management of the Group that revenue generated from the other products from 2021 to 2025 was approximately RMB279.2 million, approximately RMB214.2 million, approximately RMB396.0 million, approximately RMB449.5 million and approximately RMB441.3 million, representing revenue growth rate of approximately –23%, approximately 85%, approximately 14% and approximately –2% for the years ended 31 December 2022, 2023, 2024 and 2025, respectively. Despite the trend of historical revenue growth rates from 2021 to 2025, we are of the view that the expected annual growth in sales target of 32%, 18%, 14%, 11% and 1% from 2026 to 2030 is reasonable given that the management of the Group expected that following the inclusion of papaverine tablets in the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province), hospital access channels will be largely expanded, contributing to high growth of other products in 2026. In particular three products that are included as part of the other products, namely allylmorphine injection, noscapine tablets, and dihydrocodeine tartrate tablets (which are the exclusive products of the Project Company as advised by the management of the Group) have already achieved a growth rate of 103% in 2025 and are expected to achieve breakthrough growth among other products, benefited by its exclusively. Under the management's estimations, the annual growth rates of these three exclusive products (forming part of the other products) will increase from 103% in 2025 (as aforesaid) to the estimation of approximately 297% in 2026 and the rate will normalize from 2027 onwards (of 133% for 2027, 48% for 2028, 21% for 2029 and 0% for 2030). We noted that the portion of revenue contribution of these three exclusive products accounted for approximately 2.4% of the total revenue of other products for 2025 and the estimated contribution will be increased to 7.2% in 2026, 14.1% in 2027, 18.3% in 2028 and 20% in 2029 respectively, reflecting more significancy of its contribution to overall growth of this category. Thus, an expected annual growth rate of about 32% for overall other products in 2026 made by the management of the Group, which is supported by procurement policy and the increasing significancy of the three exclusive products, is reasonable and the annual increase of overall other products of 1% to 18% in 2026 to 2030 is also fair and reasonable.

Other products of the Project Group is forecasted to reach the maturity stage from 2031 to 2034, with declining annual growth rates from 12% to around 7-8%.

We noted from the Letter from the Board that the annual sales growth of each type of other products during the period from 2026 to 2030 is expected to be driven by the following factors:

Dihydrocodeine tartrate tablets (酒石酸雙氫可待因片)

As advised by the management of the Group, dihydrocodeine tartrate tablets is a pain relief product under medical insurance system and has already been commercialised. Starting in 2026, a sales team will be established to strengthen marketing of dihydrocodeine tartrate tablets for commercial sales; and the Project Company is expected to enter into agency agreement(s) with business partner(s) in 2026 aiming sales of approximately RMB15 million, approximately RMB30 million and approximately RMB50 million from 2026 to 2028.

Noscapine tablets (那可丁片)

As advised by the management of the Group, noscapine tablets are over-the-counter (OTC) product that can be sold through retail pharmacies, e-commerce platforms, and hospitals. Nacodine tablets, given their pharmacological properties and cough-relief efficacy, can substitute the market share vacated by dextromethorphan (右美沙芬). Starting in 2026, a sales team will be established to boost sales of Nacodine tablets. The Project Company has already set up a specialized e-commerce sales team and established a flagship store on JD.com (京東). By 2025, the JD flagship store was essentially completed, and starting from 2026, it is expected to drive rapid growth in online sales channels.

Allylmorphine injection (烯丙嗎啡注射液)

As advised by the management of the Group, allylmorphine injection is a drug under the medical insurance system, with a large existing market and strong growth prospects in its therapeutic field. While nalmefene (納美芬) injection is currently one of the commonly used drugs for treating opioid intoxication, its commercialization is declining due to side effects and lack of promotion. Based on the best knowledge of the management of the Group after having made reasonable enquiries, allylmorphine injection is expected to capture about 4.5% of nalmefene's market share by 2030, with sales volume reaching 3.6 million units at a unit price of RMB169, generating sales of about RMB600 million. For prudence sake, sales of allylmorphine injection of the Project Company is forecasted to be around RMB80 million by 2030.

Other general medicines (其他常規品種)

We noted from the breakdown on revenue by pharmaceutical products of the Project Company as provided by the Company that revenue from other general medicines increased by approximately 14.4% from approximately RMB388.5 million for the year ended 31 December 2023 to approximately RMB444.3 million for the year ended 31 December 2024; and slightly dropped by approximately 3% to RMB430.7 million for the year ended 31 December 2025. As advised by the management of the Group, revenue from other general medicines is expected to attain increase of approximately 26% for the year ending 31 December 2026 taking into account, among other factors: (i) production of a general medicine is expected to increase following the upgrade of production capacity completed in 2025; (ii) anticipated sales orders for a general medicine as derived from the government procurement plan for 2026; (iii) production capacity of a general medicine was constrained in 2025 but it is expected to increase in 2026 following the completion of process improvements; and (iv) expansion of sales of a general medicine beyond the

central and western regions into the eastern and southern regions of China, with notable breakthroughs already achieved in Jiangsu and Guangdong. The management of the Group forecasted that the estimated normal annual growth rate for other general medicines is about 9% from 2027 onward.

Based on the above, we consider that the Project Group's estimated revenue for the Forecast Period is fair and reasonable. Independent Shareholders should note that the bases and assumptions adopted by the executive Directors in preparing the cash flow forecast are primarily derived from their current views on business, financial, economic, market and other conditions of the Project Company. These projections may be affected if circumstances change in the future, which could impact the underlying valuation.

Gross profit

The Project Company is projected to achieve a gross profit margin of approximately 42.9% for the year ending 31 December 2026. Having considered that according to the Valuation Report, the gross profit margin of the Project Company was approximately 50.6% and approximately 39.3% for the two years ended 31 December 2024 respectively, we consider that the Project Company's estimated gross profit of 42.9% for the forecast period is close to the average gross profit margin of approximately 45.0% for the two years ended 31 December 2024; and close to the actual gross profit margin of approximately 42.6% for the year ended 31 December 2025; and thus, is fair and reasonable. In the Valuation, it is expected that gross profit margin will maintain at approximately 42.9% for the Forecast Period.

Administrative expenses, selling and distribution expense and research and development expenses

The Project Company's administrative expenses are expected to remain stable at approximately 5% of the total revenue for the Forecast Period ending 31 December 2034, which is in line with the approximate proportion of the Project Company's actual administrative expenses to its total revenue for the year ended 31 December 2025. We noted from the management accounts of the Project Company provided by the Group that administrative expenses represented approximately 6.5% and approximately 6.8% of the total revenue for the years ended 31 December 2024 and 2025, respectively. Based on information provided by the management of the Group, the Project Company recorded revenues of approximately RMB295.0 million, approximately RMB455.1 million, approximately RMB496.0 million, and approximately RMB530.8 million for the years ended 31 December 2022, 2023, 2024, and 2025, respectively. While revenue increased steadily over this period, administrative expenses remained relatively stable at approximately RMB30.5 million, approximately RMB27.8 million, approximately RMB32.4 million, and approximately RMB36.2 million for the respective years. This translated into administrative expense-to-revenue ratios of about 10.3%, 6.1%, 6.5%, and 6.8% for 2022, 2023, 2024, and 2025, respectively. This trend demonstrates that even significant revenue growth, such as the sharp

increase in 2023, did not result in a proportionate rise in administrative expenses. The primary reason is that staff costs, which represent the largest component of administrative expenses, remained consistent within a range of approximately RMB22.7 million to approximately RMB27.3 million during the years from 2022 to 2025. In light of the above, we are the view that it is fair and reasonable to adopt a 5% ratio of administrative expenses to total revenue for the Forecast Period, reflecting the expectation of the management of the Group that revenue of the Project Company will grow while its administrative expenses will remain relatively stable.

The Project Company's selling and distribution expenses are expected to remain stable at approximately 15% of the total revenue for the Forecast Period ending 31 December 2034, which is in line with the proportion of the Project Company's actual selling and distribution expenses to its total revenue for the year ended 31 December 2025. We noted from the management accounts of the Project Company provided by the Group that selling and distribution expenses represented approximately 14.4% and approximately 14.6% of the total revenue for the years ended 31 December 2024 and 2025, respectively; thus, assumption of approximately 15% of the total revenue for the Forecast Period is considered acceptable.

The Project Company's R&D expenses (before deduction of operating expenses and depreciation and amortisation difference) are expected to remain stable ranging from approximately 4.6% to approximately 4.9% of the total revenue for the Forecast Period ending 31 December 2034, which is in line with the proportion of the Project Company's actual R&D expenses to its total revenue for the year ended 31 December 2025. We noted from the management accounts of the Project Company provided by the Group that R&D expenses represented approximately 5.3% and approximately 5.5% of the total revenue for the years ended 31 December 2024 and 2025, respectively; and we were advised by the management of the Group that significant R&D investment were made in earlier years on products that are expected to begin production after 2026; by then, revenue growth is expected to accelerate and the Group intends to moderate the pace of further R&D spending and keep it slightly below the rate of revenue growth; thus, assumption of approximately 4.6% to 4.9% of the total revenue for the Forecast Period is considered acceptable.

Based on the above, we consider that Project Company's estimates of administrative expenses, selling and distribution expense and R&D expenses for the Forecast Period to be fair and reasonable.

Corporate tax

Revenue of the Project Company is subject to the PRC statutory tax rates. According to the website of State Taxation Administration (國家税務總局) (https://www.chinatax.gov.cn/chinatax/c101915/c5167710/content.html), the Project Company enjoys a preferential corporate income tax rate of 15% as a High and New Technology Enterprise (HNTE), which was adopted for the Financial Projection for the Forecast Period. We noted from the "State Council General Office Document No. 32 [2024], Notice on the announcement of the list of high and new technology enterprises recognized in Qinghai Province in 2023 《關於青海省2023年認定高新技術企業名單公告的通知》published by State Taxation Administration, Qinghai Provincial Taxation Bureau (國

家税務總局青海省税務局）(http://www.innocom.gov.cn/gqrdw/c101476/202312/a2ee4c86265046a6865c9053b655a27b.shtml) that the Project Company was on the list as one of the 101 high and new technology enterprises for three years to 13 November 2026. It is mentioned in a news with headline "Tax breaks give tech edge to nation (sourced from ChinaDaily and updated on 27 February 2025)" on the website of State Taxation Administration of the PRC (https://www.chinatax.gov.cn/eng/c101269/c5238577/content.html?utm_source=copilot.com) that tax incentives for high-tech enterprises and emerging industries include a 15 percent corporate income tax rate. The management of the Group is confident that the Project Company will be able to maintain its position as HNTE and will continue to enjoy the preferential corporate income tax rate of 15% throughout the Forecast Period.

Capital expenditures

Based on the Financial Projection, the Project Company's capital expenditures for the Forecast Period ending 31 December 2034 are expected to be approximately RMB5.0 million each year; and as advised by the management of the Group, this level of capital expenditures reflects their current best estimates of the Project Company's requirements for purchases of primary fixed assets.

Terminal value

To estimate the terminal value of the Project Company for year 2035 and onwards, the Valuer has used the Gordon Growth Model. This model is used to assess the terminal value of firms that are growing at a stable growth rate and relates the value to its expected cash flows in the next time period, the required rate of return and the expected growth rate.

Terminal Value = $CF_{n+1}/(r - g)$

Where:

CF_{n+1} = Expected cash flows one year from nth year

r = Required rate of return (i.e. discount rate)

g = Growth rate perpetual

According to a list of patents provided by the Company, we noted that the Project Company currently holds 11 patents relating to its pharmaceutical products, with expiry dates generally ranging between 10 and 20 years. In this regard, adopting a forecast period of approximately nine year is consistent with the expiry dates of the Project Company's patents, generally ranging between 10 and 20 years; in particular, a nine-year forecast period is considered prudent as it captures the key commercialisation and growth phase in a typical patent life cycle in the pharmaceutical industry while minimise uncertainties for longer forecast period. To the best knowledge of the Group based on its discussion with the Management, if approved, a pharmaceutical product can be marketed, and price is negotiated with government agencies or insurance companies. The market launch requires strategic planning, including establishing the supply chain and formulating marketing strategies. Once launched, the pharmaceutical product enters its commercialization phase, which typically follows a bell curve pattern: (i) growth: as awareness and adoption increase, the drug's sales and market share grow rapidly. Marketing efforts during this time focus on maximizing market share and turnover; (ii) maturity: eventually, the pharmaceutical product's growth plateaus. The focus shifts to maintaining market share against increasing competition and managing the brand's long-term presence; and (iii) decline: as the patent expiration date approaches, profits and market share due to the impending threat of generic competition. Based on our discussion with the management of the Group, the Project Company is expected to be in high growth stage from 2026 to 2030, maturity stage from 2031 to 2034 and stability from 2035 onwards. On this basis, we concur with the Valuer that a forecast period of nine years is fair and reasonable, as it captures the transition from growth to maturity and leads into the stable development phase, after which the Project Company is expected to generate sustainable revenue.

As advised by the Valuer, Consumer Price Index (CPI) has been adopted as a parameter within the Gordon Growth Model in determining the terminal value. It is mentioned in the Valuation Report that the Valuer has assumed that the earnings of the Project Company would reach a stable growth rate of 2.0%, which was the average CPI growth for the PRC for the past 15 years, according to historical CPI data sourced from the National Bureau of Statistics of China. We consider this assumption appropriate, as it reflects the inflation rate for a long period, and therefore the terminal value derived under the Gordon Growth Model is fair and reasonable.

Discount rate development

The Weighted Average Cost of Capital ("**WACC**") was adopted as the discount rate for valuation. In the Valuation, the WACC of 12.98% (where WACC is 12.99% pursuant to the subsequent valuation prepared by the Valuer based on the assessment date of 31 December 2025 as set out in Appendix V of the Circular) was computed using the following formula:

$$WACC = R_e (E/V) + R_d (D/V) (1 - T_c)$$

Where:

WACC = weighted average cost of capital

R_e = cost of equity

R_d = cost of debt

E = value of the firm's equity

D = value of the firm's debt

V = sum of the values of the firm's equity and debt

E/V = weight of equity

D/V = weight of debt

T_c = corporate tax rate

(a) Cost of equity

In the Valuation, the cost of equity of 6.13% was determined using the Capital Asset Pricing Model ("**CAPM**"). Pursuant to the subsequent valuation prepared by the Valuer based on the assessment date of 31 December 2025 as set out in Appendix V of the Circular, the cost of equity was 6.14%.

In addition to the market risk premium, the Valuer has included two additional premiums, being SCRP (Small Capitalization Risk Premium) to reflect extra risk for smaller companies; and CSP (Company Specific Premium) to reflect risks unique to the company (e.g., governance, industry exposure, financing constraints); and thus, arrived the following formula:

$R_e = R_f + \beta * MRP + SCRP + CSP$

Where:

R_e = cost of equity

R_f = risk-free rate

β = beta coefficient. It measures the risk of an asset relative to the overall market

MRP = market risk premium. It measures the difference between the expected return on an investment in China where the Project Company operates and the risk-free rate

SCRP = small capitalization risk premium

CSP = company specific premium

R_f the risk-free rate of 1.83% represents the yield rate of 10-years China government bond. Pursuant to the subsequent valuation prepared by the Valuer based on the assessment date of 31 December 2025 as set out in Appendix V of the Circular, the risk-free rate was 1.84%.

We have reviewed the website of The People's Bank of China (中國人民銀行, https://www.pbc.gov.cn/en/3688247/3688990/index.html) and noted that the ChinaBond government bond yield for 10 years as at 31 December 2025 (being the valuation assessment date) was approximately 1.85%, therefore, a risk-free rate of 1.83% adopted by the Valuer is acceptable.

β the beta coefficient of 0.82 was determined with reference to (i) the average unlevered beta coefficient of five companies (the "**Guideline Companies**"), including Jiangsu Nhwa Pharmaceutical Co., Ltd. (002262 CH Equity), Jiangsu Hengrui Pharmaceuticals Co., Ltd (600276 CH Equity), Hubei Jumpcan Pharmaceutical Co., Ltd. (600566 CH Equity), Haisco Pharmaceutical Group Co., Ltd. (002653 CH Equity) and Humanwell Healthcare (Group) Co., Ltd. (600079 CH Equity); and (ii) the average of the unlevered betas of the Guideline Companies of 0.78 was then being re-levered to 0.82 with reference to the 94.32% equity and 5.68% debt being the average debt to equity ratio of the Guideline Companies. Since the Project Company is a PRC company with substantive business operations in the PRC, the comparable companies should also be PRC companies which have operations or exposures in the PRC market. Only companies listed in the PRC are included by the Valuer as information of non-listed companies in the PRC (such as sales volume), which is not required to be disclosed, is not publicly available. We have searched Bloomberg for companies listed in PRC that derive more than 80% of their revenue from the pharmaceutical & medicine manufacturing business in the previous financial year; and their products mainly comprise of anesthetics, and we consider the Guideline Companies represents an exhaustive list and are fair and reasonable.

MRP the market risk premium of 5.25% is based on the market risk premium research from Aswath Damodaran. We noted from several news on the website of CNBC (https://www.cnbc.com/) referred Aswath Damodaran as a Professor of Finance at Stern School of Business of New York University. CNBC mentioned in its official website its background as the business and financial news network in the world. In addition to its global TV channel, available in more than 385 million homes worldwide, CNBC is also available on mobile, tablet and desktop. We reviewed data under "Country Default Spreads and Risk Premiums" updated by Aswath Damodaran and released by New York University on its website (https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html) that in January 2026, the equity risk premium of China was 5.14%, which was lower than the market risk premium of 5.25% adopted by the Valuer. We understood from the Valuer that this is because of the use of different reference dates. The market risk premium of 5.25% was derived by the Valuer from Aswath Damodaran's data in July 2025.

SCRP the small capitalisation risk premium of 3.38% is applied, based on the research from Cost of Capital Professional published by Business Valuation Resources ("**BVR**"). Based on the professional knowledge of the Valuer, such research is widely referenced by valuation professionals and is widely accepted by the industry as well as auditors. BVR is a generally adopted source by the industry and it is a paid source. It is mentioned in the Valuation Report that for companies sized from USD2,015,000 to USD2,365,076,000, the appropriate size premium to be adopted is 3.38% (one figure for such a range). The Project Company, with a size of approximately RMB2.6 billion, falls within such range, and therefore a small capitalization risk premium of 3.38% is applied.

CSP the company specific risk premium of 4.0% is based on the Valuer's professional judgement taking into account the nature of the business operation and the current economic condition, which brings some kind of uncertainty to the Project Company's future performance. While there is no universal standard for company specific risk premium, in general, 3% to 5% would be adopted for companies still in the growth stage. For illustration purposes, to further breakdown the composition of the company specific risk premium, there is an operational risk premium of 1% (normal as the Project Company has just extended its operating license), and a forecast risk of 3%, which is regarded as higher than normal, given that there are several products which are pending for commercialization and there are no similar historical projects to refer to. The Valuer considered a higher risk is not justified because: (a) there are still many existing products which already have a decent contribution to the revenue growth of the Project Company; and (ii) the four major products are already on or near the commercialization stage. It is not possible that the products do not pass clinical trials and there is immaterial risk that the products will not be approved by the regulation parties. Although the four core products are expected to contribute over 50% of the Project Company's revenue from 2030 onwards and currently lack historical track record, we concurred that the adoption of a 4% company-specific risk premium is fair and reasonable after having considered (i) it falls into the range of company specific risk of companies in the growth stage; and (ii) the Valuer's justification in "Appendix V – Valuation Report" of the Circular. In particular, the Project Company already has a diversified portfolio of existing products that provide meaningful revenue contributions, and the four core products are either commercialized or at an advanced stage of commercialization, which reduced execution risk compared to early-stage R&D projects. In addition, patent protection extending beyond the Forecast Period and policy support through centralized procurement provide further assurance of market adoption.

(b) Cost of debt

The cost of debt of 4.17% (i.e. after the corporate tax rate of 15% on the before-tax cost of debt of 4.90%). The Project Company has operating history of more than 5 years; and there was no actual borrowing rates information are available as the Project Company did not have any recent bank loans; as such the before-tax cost of debt referred to the lending rate of the People's Bank of China with tenor above 5 years. We noted from the website of the Bank of China (https://www.bankofchina.com/fimarkets/lilv/fd32/201310/t20131031_2591219.html) that the five-year Loan Prime Rate (LPR) maintained at 3.5% from 20 May 2025 to 20 March 2026, which is lower than the cost of debt adopted by the Valuer. The Valuer explained that cost of debt for private corporations is normally higher than the standard five-year LPR.

(c) Capital structure

The company specific capital structure of 5.68% debt and 94.32% equity is adopted for the valuation of market value of the Project Company, being the average debt to equity ratio of the Guideline Companies as mentioned in the Valuation Report. Proportion of debt of the Project Company is around 20%. We are advised by the Valuer that it is a general industry practice that the average of the comparable companies is adopted instead of that of the target entity. In the Valuation, adopting the actual ratio will result in a lower WACC, hence a higher valuation result.

B. Net liabilities of the Target Holding Companies

As mentioned in the Valuation Report, each of the Target Holding Companies, i.e. the Target Company, Sino Globe, Dongguan Chenghe and Kaisa Healthcare Investment, is an investment holding company with no substantive business. The assets and liabilities of the Target Holding Companies are not related to the Project Company.

The details sourced from the Management are based on the relevant pre-consolidated figures as at 30 November 2025 and as at 31 December 2025, regarding the assets and liabilities of the Target Holding Companies are set out as below:

	As at 30 November 2025	**As at 31 December 2025**
	RMB	*RMB*
Fixed assets	1,549	1,549
Other receivables	1,307,000	1,307,000
Amount due from a fellow subsidiary	201,323,441	6,346,478
Amount due from group companies	90,168,147	90,168,147
Prepayment	4,932	4,932
Cash	221,908	221,555
Accrual Interest	(74,958,618)	(76,484,855)
Amount due to a fellow subsidiary	(380,515,747)	(179,497,826)
Estimated liabilities *(Note 1)*	(136,441,499)	(131,393,690)
Amount due to group companies	(90,207,667)	(90,168,147)
Bank loan	(45,000,000)	(50,000,000)
Financial guarantees	(600,000,000)	(592,873,902)
Bank borrowings	(326,300,000)	(301,300,000)
Total net liabilities *(Note 2)*	(1,360,396,555)	(1,323,668,759)

Notes:

1. The Group's estimated liabilities represent the Ruihong Guarantee (as defined below). As advised by the management of the Group, this amount represents a financial guarantee for a loan with outstanding principal amount of approximately RMB80.5 million since 23 July 2021 together with incurred interest (at interest rate of 15.4% per annum).

2. The net liabilities held by the Target Holding Companies are being deducted from the market value of the Project Company held by the Target Company before DLOM to arrive at market value of the Target Company. The figures as shown above are pre-consolidated figures.

Assessment of liquidity implications for the Group as a result of the Acquisition

Although the Target Holding Companies have financial obligations, arrangement has been made with the relevant lenders for settlement of such obligations and there will not be any immediate payment required. As mentioned in the Letter from the Board, details of the arrangement made as follows:

	Liability	**Settlement arrangement**
(i)	Loan in initial principal amount of RMB421 million owing by Kaisa Healthcare Investment to Minsheng Bank with interest bearing at 4.45% to 6.6% per year (the "**Minsheng Bank Loan**") As at 31 December 2025, the outstanding principal amount of the Minsheng Bank Loan amounted to RMB351 million	The parties have entered into a settlement and Minsheng Bank has already agreed to extend the final maturity date to 20 December 2028. We obtained a copy of the enforcement of the settlement agreement (執行和解協議) from the Company and noted that according to the payment schedule, the final payment of the remaining principal and interests is due on 20 December 2028.

Liability	Settlement arrangement
(ii) Guarantees provided by Kaisa Healthcare Investment in favour of Minsheng Bank in respect of the loans owing by Shenzhen Jingjia Urban Renewal Company Ltd. (深圳市景佳城市更新有限公司), a subsidiary of Kaisa Group, as borrower to Minsheng Bank as creditor in the aggregate sum of RMB600 million, RMB500 million of which will mature in December 2028, and RMB100 million of which will mature in June 2031 (the "**Minsheng Bank Guarantee**")	We obtained a copy of Minsheng Bank Guarantee in respect of the guaranteed amount of RMB500 million from the Company; and noted that for so long as the Minsheng Bank Loan is repaid in accordance with the agreed schedule, Minsheng Bank shall not claim against Kaisa Healthcare Investment under the Minsheng Bank Guarantee. We also obtained a copy of Minsheng Bank Guarantee in respect of the guaranteed amount of RMB100 million from the Company; and as explained by the management of the Group, such amount of Minsheng Bank Guarantee is backed by dividends to be distributed from the Project Company and given the repayment schedule, it is not expected to trigger any obligation under the Minsheng Bank Guarantee. As mentioned in the Letter from the Board, upon Completion, the Minsheng Bank Guarantees granted by Kaisa Healthcare Investment in favour of Kaisa Group will constitute financial assistance of the Company to Kaisa Group under Chapter 14A of the Listing Rules. For the avoidance of doubt, the Minsheng Bank Guarantees have been in existence prior to the date of the Agreement and would continue to exist irrespective of whether the Agreement will be completed.

	Liability	Settlement arrangement
(iii)	Guarantee provided by Kaisa Healthcare Investment in relation to the debt owing by Kaisa Shenzhen (a wholly-owned subsidiary of Kaisa Group) as borrower to Ruihong Real Estate as lender in the amount of approximately RMB139 million as at 31 December 2025 (the "**Ruihong Guarantee**")	As mentioned in the Agreement, it is a condition precedent to completion of the Acquisition that the liability to be taken up by Kaisa Healthcare Investment shall not be more than RMB100 million. The parties are currently in discussions on the timing of the repayment and the outstanding amounts in connection with the Ruihong Guarantee are currently expected to be repaid in 2026. With the liability capped at RMB100 million, it is expected that sufficient liquidity will be available for the repayment as and when required.
(iv)	Amount owing by the Target Company to a fellow subsidiary of Kaisa Group in the amount of approximately RMB179 million	As advised by the management of the Group, such amount is repayable on demand, but the creditor is a fellow subsidiary of Kaisa Group, therefore the repayment schedule is subject to negotiation.

It is mentioned in the Letter from the Board that (i) if there is a default in the repayment of the Minsheng Bank Loan and the Minsheng Bank Guarantees by Kaisa Healthcare Investment, Minsheng Bank may be able to enforce the share pledge given by Kaisa Healthcare Investment in favour of Minsheng Bank over the 54.84% equity interest held by Kaisa Healthcare Investment in the Project Company, in which case there may be a forced sale of such 54.84% equity interest in the Project Company for the purpose of debt settlement, after which the Group will cease to have interest in the Project Company; and/or (ii) if there is a default in the repayment of the Ruihong Guarantee by Kaisa Healthcare Investment as guarantor, Ruihong Real Estate may enforce the Ruihong Judgment against Kaisa Healthcare Investment or its assets, being the 54.84% equity interest held by Kaisa Healthcare Investment in the Project Company.

The following cashflow assessment illustrates that after Completion, the Group will have liquidity to repay the Target Group's liabilities as and when due and will have sufficient funding to operate the Existing Businesses:

Expected cash inflow from the Project Group

Based on the Financial Projection, the Acquisition is expected to provide the Group with a new source of income. Following the Completion, the Group is anticipated to have sufficient resources to meet the obligations of the Target Holding Companies as they fall due, either through generating cash flows from business operations or refinancing of the existing liabilities. As illustrated in the unaudited pro forma financial information of the enlarged Group set out in Appendix IV of the Circular, the enlarged Group's total liabilities would exceed its total assets as at 31 December 2025 after taking into account the Minsheng Bank Guarantee (given the repayment schedule, it is not expected to trigger any obligation under Minsheng Bank Guarantee).

The valuation report based on the assessment date of 31 December 2025 set out in Appendix V of the Circular indicates that the Project Group is expected to generate free cash flow of approximately HK$2,302.2 million before 2035. Based on the Company's equity ratio of 54.84%, the free cash flow attributable from the Target Group would be approximately RMB1,262.5 million. This projected cash inflow would be sufficient to cover the total liabilities of approximately RMB1,051 million, comprising:

- the Minsheng Bank Loan with the latest principal and interest balance of RMB351 million (due in December 2028 and may be extended depending on the parties' negotiations);

- the Ruihong Guarantee, in the amount of not more than RMB100 million (it is a condition precedent to completion of the Acquisition that the liability to be taken up by Kaisa Healthcare Investment shall not be more than RMB100 million; and

- the Minsheng Bank Guarantee, in the amount of RMB600 million (given the repayment schedule, it is not expected to trigger any obligation under Minsheng Bank Guarantee).

Nevertheless, Shareholders should note that if the actual results differ materially from those in the Financial Projection, the Group's ability to meet its obligations could be adversely affected.

Other expected cash inflows to the Group

As mentioned in the Letter from the Board, in addition to the forecasted cash flows in the Valuation, the Group is also expected to generate the following cash flows after the Completion:

– the Group will receive distribution in a total amount of RMB144 million in connection with its investment in an investment fund (the "**Relevant Fund**"). The Relevant Fund was established in 2018 and has a 10-year investment term which will expire in 2028. It is expected that the Relevant Fund will make distribution of RMB20 million in each of 2026 and 2027 and RMB104 million to the Group upon the expiry of the investment term of the Relevant Fund in 2028. According to the "eleventh allocation notice" issued by the Relevant Fund partnership to the Group, the Relevant Fund distributed accumulated amounts of approximately HK$19.5 million and approximately HK$15.6 million to the Group for the years ended 31 December 2024 and 2025, respectively. These figures are broadly in line with the forecasts for 2026 and 2027. The management of the Group advised that according to information provided by the Relevant Fund, the Group's capital account balance as at 30 September 2025 was around RMB144 million. Accordingly, it is expected that upon expiry in 2028, a residual amount of around RMB104 million will be distributed to the Group.

– the Group will continue to receive cashflow from the Existing Businesses, and which is expected to improve taking into account the synergistic effects of the Acquisition. It is assumed that the Group will receive cashflow from the Existing Businesses of approximately RMB20 million in each of 2026 and 2027, and approximately RMB31 million in each of 2028 to 2034. As advised by the management of the Group, such estimates are based on an expected net profit of about RMB10 million from the Dental Business reflecting synergies with public hospital operations, depreciation and amortization of approximately RMB6 million (which are non-cash charges added back to profit) and favorable working capital movement of about RMB15 million arising from reduced trade receivables through improved collection efforts and increased accounts payable from upfront material purchases related to public hospital collaborations; and the deduction of annual listing fee of approximately HK$12 million. Such annual listing fee will be reported separately from the Dental Business and will not be deducted from the free cash flow after 2028; and

– the Group will receive approximately RMB500 million from debt and/or equity financing by 2028. Various financial institutions have been seeking to invest in the Project Company for some time. We noted from the management of the Group that the Group has been in discussions with various potential investors, who may be interested in acquiring an equity stake of the Company. However, as of the Latest Practicable Date, no definitive investment agreement has been reached with any of the potential investors.

Having considered that (i) the Group will not face immediate liquidity pressure after assuming the Target Holding Companies' liabilities as discussed in our cashflow assessment above; (ii) the reasons for and benefits of the Acquisition as mentioned in the paragraphs under the section headed "(2) Reasons for and the benefits of the Acquisition" above in this letter; and (iii) the consideration payable has been reduced after deducting liabilities, we concurred with the Directors that the consolidation of the assets and liabilities of the Target Holding Companies into financial statements of the Company following the Acquisition is acceptable. We are of the view that the acquisition of the issued share capital of the Target Company, rather than the equity interest in the Project Company, is fair and reasonable given that (i) the Target Holding Companies have significant financial obligations, including the Minsheng Bank Loan, the Minsheng Bank Guarantees and the Ruihong Guarantee, which, if the Project Company were acquired directly, would have required settlement in cash, thereby creating substantial financial pressure on the Group; (ii) by acquiring the Target Company, the aforesaid liabilities have already been factored into the valuation, reducing the upfront consideration and relieving immediate cash outflow pressure, as the consideration can be satisfied by the allotment and issue of shares; (iii) the Target Company's incorporation in the British Virgin Islands avoids the complex and uncertain regulatory approval process associated with a cross-border share swap under PRC regulations, while the equity interest in the Project Company remains frozen under court orders, making direct acquisition impracticable; and (iv) arrangements have been made with the relevant lenders to settle the Target Holding Companies' obligations without immediate payment, and the liabilities are strictly limited to the Target Holding Companies. Taken together, these factors demonstrate that the current structure reduces execution risk, alleviates financial burden, and enhances the likelihood of successful completion.

C. Discount for lack of marketability (DLOM)

We noted from "Stout Restricted Stock Study: Companion Guide (2025 Edition)" on the website of Stout (https://www.bvresources.com/docs/default-source/free-downloads/rss-companion.pdf?sfvrsn=b0ebc8b2_24&utm) that the Companion Guide is designed to assist the valuation professional charged with determining discounts for lack of marketability, with the support from BVR in preparing the update to the study and assistance in developing the DLOM Calculator.

The Valuer adopted the median discount rate of 20.4% in the "Stout Restricted Stock Study: Companion Guide (2025 Edition)" calculated from 783 private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies from July 1980 through March 2025, which we consider to be fair and reasonable.

Conclusion

Taking the above factors into account, we consider that the Financial Projection is appropriate and that the Valuation was carried out fairly and reasonably by the Valuer using the income approach. Given that the consideration for the Acquisition is equivalent to the valuation of the market value of the entire issued share capital of the Target Group as at 30 November 2025; and given that the subsequent valuation report indicated higher appraised value as at 31 December 2025, we concurred that the consideration for the Acquisition is fair and reasonable.

3.2 Assessment of the Issue Price

The Issue Price (without taking into account the Share Consolidation) represents:

(i) a discount of approximately 10.3% the closing price of HK$0.195 per Existing Share as quoted on the Stock Exchange on the date of the Agreement;

(ii) the average closing price of HK$0.175 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement;

(iii) a discount of approximately 3.9% to the average closing price of HK$0.1821 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Agreement;

(iv) a premium of approximately 107% to the audited net asset value per Existing Share of approximately HK$0.0846 as at 31 December 2024, which is based on the Company's audited consolidated net asset value attributable to the Shareholders of approximately HK$426,491,000 as at 31 December 2024 and the 5,042,139,374 Existing Shares in issue as at the date of the Agreement;

(v) a premium of approximately 105% over the unaudited net asset value per Existing Share of approximately HK$0.0855 as at 30 June 2025, which is based on the Company's unaudited consolidated net asset value attributable to the Shareholders of approximately HK$430,913,000 as at 30 June 2025 and the 5,042,139,374 Existing Shares in issue as at the date of the Agreement; and

(iv) a premium of approximately 122% over the unaudited net asset value per Existing Share of approximately HK$0.0790 as at 31 December 2025, which is based on the Company's unaudited consolidated net asset value attributable to the Shareholders of approximately HK$398,497,000 as at 31 December 2025 and the 5,042,139,374 Existing Shares in issue as at the date of the Agreement.

As mentioned in the Letter from the Board, the Issue Price was derived after arm's length negotiations between the Company and the Vendor with reference to the prevailing market prices of the Shares, the recent fluctuations in the price of the Shares and the recent market conditions.

3.2.1 Share price performance of the Shares

In order to assess the fairness and reasonableness of the Issue Price, we reviewed the daily closing prices of the Shares as quoted on the Stock Exchange from 1 March 2025 up to and including 18 March 2026, i.e. the date of the Agreement (the "**Review Period**"), being a period of approximately one year up to and including the date of the Agreement. The daily closing prices of the Shares during the Review Period are illustrated as follows:



Source: The Stock Exchange's website

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK$0.013 recorded on 3 June 2025 and HK$0.21 recorded on 16 February 2026. The average and median closing prices of the Share during the Review Period were HK$0.064 and HK$0.030, respectively. The Issue Price of HK$0.175 (assuming the Share Consolidation not having taken effect) is within the range of the lowest and highest closing prices of Shares during the Review Period.

The closing price of the Shares remained relatively stable between HK$0.013 and HK$0.032 during the period from the commencement of the Review Period to 12 September 2025. Subsequently, the closing price of the Shares fluctuated with an upward trend and reached HK$0.21 on 16 February 2026, being the highest closing price during the Review Period. The Directors confirmed that save for the publication of the interim results announcement on 27 August 2025 for the six months ended 30 June 2025, they are not aware of any reasons for the aforesaid upward trend of the closing price of the Shares. The Group recorded a decrease in the loss attributable to owners of the Company to approximately HK$9.1 million for the six months ended 30 June 2025 as compared to the loss attributable to owners of the Company of approximately HK$24.3 million for the six months ended 30 June 2024. Such decrease is mainly due to changes in fair value of financial assets at fair value through profit or loss turned from a loss of approximately HK$12.0 million for the six months ended 30 June 2024 to a gain of approximately HK$9.0 million or the six months ended 30 June 2025. Subsequent to 16 February 2026, the closing price of the Shares adjusted slightly down to HK$0.195 on the date of the Agreement.

3.2.2 Comparable companies

As set out in the Letter from the Board, the Company and its subsidiaries are principally engaged in the Dental Business, including the sale and production and research and development of dental prosthetics and trading of dental implant instruments, and Healthcare Business. For the year ended 31 December 2025, revenue from Dental Business accounted for approximately 94.9% of the Group's total revenue; and over 90% of the Group's revenue were from customers located in the PRC.

We have, based on our search on Bloomberg, identified an exhaustive list of companies (the "**Comparable Companies**") which (a) are principally engaged in the provision of dental products, and accounted for over 90% of their revenue; (b) have over 90% of their revenue generated from the PRC; (c) have their shares listed on Main Board of the Stock Exchange; and (d) have the trading in their shares not being suspended as at the Latest Practicable Date. Based on the aforesaid criteria, we did not identify any Comparable Company. As such, we have extended the principal business of the Comparable Companies to include the provision of dental medical services and identified an exhaustive list of two Comparable Companies, namely Wuhan Dazhong Dental Medical Co., Ltd. (stock code: 2651) ("**Dazhong Dental**") and Meihao Medical Group Co., Ltd (stock code: 1947) ("**Meihao Medical**"). According to the latest published annual report of Arrail Group Ltd. (stock code: 6639) ("**Arrail**"), we noted that Arrail is principally engaged in the provision of dental services in the PRC. However, the trading of the shares of Arrail was suspended from 1 December 2025 as Arrail was not able to publish its announcement of interim results and hence Arrail is not included in the list of Comparable Companies. Price-to-earnings, price-to-book ("**P/B Ratio**") and price-to-sale ratios are the three most commonly used benchmarks in valuing a company. Given (a) the Group was loss-making for the year ended 31 December 2025; and (b) price-to-sale ratio is usually used to value start-up companies for which both the book value and earnings are insignificant or non-existing, we consider that P/B Ratio is more appropriate for valuing the Group as compared to price-to-earnings and price-to-sale ratios.

The following table set out the details of the Comparable Companies:

Company name (stock code)	**Principal business**	**Market capitalisation**	**P/B Ratio** *(Note 1)*
		HK$ million	*Times*
Wuhan Dazhong Dental Medical Co., Ltd. (2651)	Provision of dental medical services	609.3	1.7
Meihao Medical Group Co., Ltd (1947)	Provision of dental services through operating dental hospitals	222.1	1.9
The Company	Manufacture and sale of dental prosthetics	882.4 *(Note 2)*	2.2

Source: Bloomberg and website of the Stock Exchange

Notes:

1. The P/B Ratio was based on the then market capitalisation of Comparable Companies as at the Latest Practicable Date, divided by the equity attributable to the owners of the company of the Comparable Companies as stated in their respective annual or interim report.

2. The implied P/B Ratio of the Company calculated based on the Issue Price of HK$0.175 and 100,842,787 issued Shares (assuming the Share Consolidation have not taken effect) and the net asset value attributable to the owners of the Company as at 31 December 2025.

The Comparable Companies were selected based on industry relevance and similarity of business activities. Despite difference in operating scale, they are subject to broadly similar business dynamics and operating environment of the Group. Accordingly, we consider that the selected Comparable Companies can provide reasonable reference for the market comparable analysis. However, in view of the limited sample size of two Comparable Companies, we consider that the Independent Shareholders should place less weight on the comparable analysis and put more weight on our other analysis, including but not limited to the reasons for and the benefits of the Acquisition, the outlook of the pharmaceutical industry, the financial performance of the Project Company and the fairness and reasonableness of the Valuation and the Issue Price, set out in this letter.

As shown in the table above, the P/B Ratios of the Comparable Companies were approximately 1.7 times and approximately 1.9 times, respectively. The P/B Ratio of the Company, implied by the Issue Price of HK$0.175, is approximately 2.2 times and is higher than that of the Comparable Companies.

3.2.3 Comparable transactions

As part of our analysis, we further identified transactions involving acquisition of equity interest in unlisted target company by way of issue of consideration shares (the "**Comparable Transactions**") which were announced by companies listed on the Stock Exchange during the period from 1 December 2025 up to 18 March 2026 (the "**Review Period**"), i.e. the date of the Agreement (being an approximate three-month period up to and including the date of the Agreement). In view of the aforesaid selection criteria, we identified an exhaustive list of 8 comparable transactions. Having considered (i) the Review Period covered a sufficiently recent period to reflect the prevailing market conditions at the time of entering into of the Agreement; and (ii) the Review Period provided a meaningful number of comparable transactions, we are of the view that the length of the Review Period is appropriate and representative for our analysis. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparable Transactions and we have not conducted any independent verification with regard to the businesses and operations of such companies.

Company name (stock code)	Date of announcement	Connected transaction? (Yes/No)	Premium/ (discount) of the issue price over/ to the closing price per share on the date of agreement *(%)*	Premium/ (discount) of the issue price over/ to the closing price per share for the five trading days prior to the date of agreement *(%)*	Premium/ (discount) of the issue price over/ to the closing price per share for the ten trading days prior to the date of agreement *(%)*	Dilution effect to shareholding of the existing public shareholders *(%)*
Vongroup Ltd. (318)	3 December 2025	No	(13.60)	(16.40)	(2.70)	1.90
GR Life Style Company Limited (108) *(Note 1)*	5 December 2025	No	(59.80)	(58.12)	(54.66)	1.71
CAI Corp (80)	17 December 2025	Yes	(5.26)	(4.00)	(6.61)	4.34
Tongguan Gold Group Ltd. (340)	19 December 2025	No	(5.50)	(6.50)	(5.56)	0.92
Sino Biopharmaceutical Limited (1177)	13 January 2026	No	(3.62)	(1.62)	1.69	0.01
Shaw Brothers Holdings Limited (953) *(Note 2)*	21 January 2026	Yes	(15.79)	(5.33)	2.40	64.33
Aceso Life Science Group Limited (474)	30 January 2026	No	0.00	0.33	0.17	4.54
China Oral Industry Group Holdings Limited (8406)	16 March 2026	No	17.91	23.82	32.11	11.49
	Max		17.91	23.82	32.11	11.49
	Min		(13.60)	(16.40)	(6.61)	0.01
	Average		(1.68)	(0.73)	3.18	3.87
	The Company	Yes	(10.30)	0.00	(3.90)	1.37

Source: The Stock Exchange's website

Notes:

1. For GR Life Style Company Limited (stock code: 108), the discounts of the issue price to average closing price per share (i) on the date of agreement; (ii) for the five trading days prior to the date of agreement; and (iii) for the ten trading days prior to the date of agreement is significantly lower and are considered as outliers. Accordingly, GR Life Style Company Limited (stock code: 108) is excluded from the comparable transactions analysis.

2. For Shaw Brothers Holdings Limited (stock code: 953), the dilution effect to shareholding of the existing public shareholders is significantly higher and is considered as outlier. Accordingly, Shaw Brothers Holdings Limited (stock code: 953) is excluded from the comparable transactions analysis.

We noted from the above table that (i) the issue prices of the Comparable Transactions ranged from a discount of approximately 13.60% to a premium of approximately 17.91% with an average discount of approximately 1.68% to the respective closing prices of the shares on the date of the agreement; (ii) the issue prices of the Comparable Transactions ranged from a discount of approximately 16.40% to a premium of approximately 23.82% with average discount of approximately 0.73% to the respective closing prices of the shares for the five trading days prior to date of the agreement; and (iii) the issue prices of the Comparable Transactions ranged from a discount of approximately 6.61% to a premium of approximately 32.11% with average premium of approximately 3.18% over the respective closing prices of the shares for the ten trading days prior to date of the agreement.

The Issue Price represents (i) a discount of approximately 10.30% to the closing price per Share on the date of the Agreement and is within the range of the Comparable Transactions; (ii) a discount/premium of 0.00% over/to the closing prices per Share for the five trading days prior to date of the Agreement and is within the range and above the average of that of the Comparable Transactions; and (iii) a discount of approximately 3.90% to the closing price per Share for the ten trading days prior to date of the Agreement and is within the range of the Comparable Transactions.

Having considered that (i) the P/B Ratio of the Company, of 2.2 times implied by the Issue Price of HK$0.175, is higher than those of the Comparable Companies as discussed under "3.2.2 Comparable companies" above in this letter; (ii) the Issue Price is equal to the closing price per share for the five trading days prior to date of the Agreement; and (iii) the discount to the closing price per share on the date of the Agreement or the ten trading days prior to date of the Agreement is within the range of that of the Comparable Transactions, we consider the Issue Price to be fair and reasonable so far as the Independent Shareholders are concerned.

(4) Possible dilution effect on the shareholding interests

As at the Latest Practicable Date, the securities of the Company in issue comprise of (i) 5,042,139,374 Shares; and (ii) 92,000,000 outstanding share options of the Company.

The following shareholding table shows the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation having become effective; (iii) immediately after the allotment and issue of the Consideration Shares and taking into account the effect of the Share Consolidation, in each case assuming that no other further Shares will be allotted and issued between the Latest Practicable Date and the date of the allotment and issue of the Consideration Shares (as the case may be):

Name of Shareholders	As at the Latest Practicable Date		Immediately after the Share Consolidation having become effective		Immediately after the allotment and issue of the Consideration Shares and taking into account the effect of the Share Consolidation	
	No. of Shares	*Approximate % of the issued share capital of the Company*	*No. of Shares*	*Approximate % of the issued share capital of the Company*	*No. of Shares*	*Approximate % of the issued share capital of the Company*
Vendor *(Note 1)*	–	–	–	–	2,789,967	2.69
Kaisa Group *(Note 1)*	2,167,600,491	42.99	43,352,009	42.99	43,352,009	41.83
Sub-total for the Vendor and Kaisa Group	**2,167,600,491**	**42.99**	**43,352,009**	**42.99**	**46,141,976**	**44.52**
Ying Hua Holdings *(Note 2)*	308,000,000	6.11	6,160,000	6.11	6,160,000	5.94
Ms. Chan *(Note 3)*	2,020,000	0.04	40,400	0.04	40,400	0.04
Sub-total for the Vendor, Kaisa Group and parties acting in concert with any of them	**2,477,620,491**	**49.14**	**49,552,409**	**49.14**	**52,342,376**	**50.51**
Public Shareholders	2,564,518,883	50.86	51,290,378	50.90	51,290,378	49.49
Total	**5,042,139,374**	**100**	**100,842,787**	**100**	**103,632,754**	**100**

The following shareholding table shows the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Consideration Shares (without taking into account the effect of the Share Consolidation), in each case assuming that no other further Shares will be allotted and issued between the Latest Practicable Date and the date of the allotment and issue of the Consideration Shares (as the case may be):

Name of Shareholders	**As at the Latest Practicable Date**		**Immediately after the allotment and issue of the Consideration Shares (without taking into account the effect of the Share Consolidation)**	
	No. of Shares	*Approximate % of the issued share capital of the Company*	*No. of Shares*	*Approximate % of the issued share capital of the Company*
Vendor *(Note 1)*	–	–	139,498,364	2.69
Kaisa Group *(Note 1)*	2,167,600,491	42.99	2,167,600,491	41.83
Sub-total for the Vendor and Kaisa Group	**2,167,600,491**	**42.99**	**2,307,098,855**	**44.52**
Ying Hua Holdings *(Note 2)*	308,000,000	6.11	308,000,000	5.94
Ms. Chan *(Note 3)*	2,020,000	0.04	2,020,000	0.04
Sub-total for the Vendor, Kaisa Group and parties acting in concert with any of them	**2,477,620,491**	**49.14**	**2,617,118,855**	**50.51**
Public Shareholders	2,564,518,883	50.86	2,564,518,883	49.49
Total	**5,042,139,374**	**100**	**5,181,637,738**	**100**

Notes:

1. The Vendor is an indirect wholly-owned subsidiary of Kaisa Group.

2. Ying Hua Holdings Limited is a company incorporated in the BVI and is wholly owned by KS Holdings 2 Limited. KS Holdings 2 Limited is the trustee of 308,000,000 Shares under a discretionary trust of which Mr. Kwok is the founder.

3. Ms. Chan is the spouse of Mr. Kwok.

4. Save for Mr. Kwok's interest as disclosed above, none of the Directors holds any Shares as at the Latest Practicable Date.

5. The percentage figures are for reference only and may not add up to 100% due to rounding.

As shown in the above tables, we noted that the shareholding in the Company held by the existing public Shareholders would be diluted from approximately 50.86% as at the Latest Practicable Date to approximately 49.49% immediately upon the allotment and issue of the Consideration Shares (with or without taking into account the effect of the Share Consolidation). Having considered that (i) the reasons for and benefit of the Acquisition as discussed in the section headed "(2) Reasons for and benefits of the Acquisition"; (ii) the dilution effect to shareholding of the existing public shareholders of the Company is approximately 1.37% and is within the range and lower than the average of that of the Comparable Transactions as set out in the table under "3.2.3 Comparable transactions" above; and (iii) the Consideration and the Issue Price are fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the potential dilution effect on the shareholding interests of the existing public Shareholders to be acceptable.

(5) Financial effect of the Acquisition

Upon Completion, members of the Target Group (including for the avoidance of doubt, the Project Group) will become subsidiaries of the Company and accordingly, their financial results and positions will be consolidated into the consolidated financial statements of the Company. Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV of the Circular, upon the Completion, the net loss of the Group for the year ended 31 December 2025 would narrow from approximately HK$46.8 million to approximately HK$21.9 million as the Target Group recorded net profit of approximately HK$26.9 million for the year ended 31 December 2025.

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV of the Circular, after taking into account the Minsheng Bank Guarantee, the enlarged Group's total liabilities would exceed its total assets as at 31 December 2025. The Enlarged Group would record net liabilities of approximately HK$97.4 million as compared to net assets of approximately HK$398.5 million before the Completion; while the bank balances and cash as at 31 December 2025 would increase from approximately HK$109.6 million to approximately HK$135.9 million.

RECOMMENDATION

In arriving at our opinion and recommendation, we have considered the principal factors and reasons discussed above, in particular:

- synergies that could be brought to the Existing Businesses of the Group through the acquisition of the Project Business as discussed in the section headed "Reasons for and the benefits of the Acquisition" above in this letter;

- the positive outlook of the pharmaceutical industry in which the Target Group (including the Project Group) operates as discussed in the paragraphs under "Overview of the pharmaceutical market" of the section headed "Reasons for and the benefits of the Acquisition" above in this letter;

- the Group recorded net loss for two consecutive years ended 31 December 2025; whereas the Project Company recorded unaudited net profit of approximately RMB67.6 million, approximately RMB60.9 million and approximately RMB72.8 million for the years ended 31 December 2023, 2024 and 2025, respectively. The Acquisition, which will effectively acquire 54.84% interest of the Project Company, is expected to improve the Group's profitability in the near term and potentially over the longer term;

- the Valuation and the Consideration are fair and reasonable after having considered the followings:

  (i) we are satisfied that the Valuer is suitably qualified and experienced with sufficient current knowledge, skills and understanding necessary to undertake the Valuation;

  (ii) the Financial Projection is appropriate and that the Valuation had been carried out fairly and reasonably by the Valuer using income approach; and

  (iii) the Consideration is close to the valuation of the market value of the entire issued share capital of the Target Company as at 30 November 2025; and the subsequent valuation report as set out in Appendix V of the Circular indicated higher appraised value as at 31 December 2025; and

- the Issue Price is fair and reasonable after having considered the followings:

  (i) the Issue Price is equal to the average closing prices per Share for the five trading days prior to date of the Agreement; and is a premium over the unaudited net asset value per Share as at 30 June 2025; and

  (ii) the P/B Ratio of the Company, implied by the Issue Price of HK$0.175, is higher than those of the Comparable Companies as discussed under "3.2.2 Comparable companies" above in this letter; and discount to the closing price per share on the date of the Agreement and for the ten trading days prior to date of the Agreement is within the range and is smaller than the average discount of the Comparable Transactions.

Based on the above, we consider that the Acquisition is on normal commercial terms, and the Acquisition (including the grant of the specific mandate for the issuance of Consideration Shares) are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Acquisition (including the grant of the specific mandate for the issuance of Consideration Shares), while not in the ordinary and usual course of business of the Group, are nevertheless in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Acquisition (including the grant of the specific mandate for the issuance of Consideration Shares).

Yours faithfully,
For and on behalf of
SBI China Capital Hong Kong Securities Limited
Ringo Kwan
Managing Director

Mr. Ringo Kwan has been responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) since 2005. He has participated in the provision of independent financial advisory services for various types of transactions involving companies listed in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2023, 31 December 2024 and 31 December 2025 are disclosed in the following documents which have been published on the website of the Stock Exchange at https://www.hkexnews.hk, and the website of the Company at http://www.kaisahealth.com:

Annual report of the Company for the year ended 31 December 2023:

https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042901773.pdf

Annual report of the Company for the year ended 31 December 2024:

https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0428/2025042803158.pdf

Annual report of the Company for the year ended 31 December 2025:

https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0428/2026042800612.pdf

2. INDEBTEDNESS

As at the close of business on 31 March 2026, the Enlarged Group had the following indebtedness:

	As of 31 March 2026
	HK$'000
Bank borrowings	398,480
Lease liabilities	12,332
Provision for financial guarantee contracts liabilities	673,260
Provision for litigation	152,554
Amounts due to fellow subsidiaries	204,880
Amounts due to holding company	396
	1,441,902

1. Bank borrowings

The bank borrowings consisted of two loan facilities:

(a) Minsheng Bank Loan A

The loan was granted by China Minsheng Banking Corporation Limited ("**Mingsheng Bank**"). Minsheng Bank Loan A had an original principal amount of RMB348,000,000 and was secured by a financial guarantee provided by Kaisa Shenzhen, a fellow subsidiary of the Target Company, together with pledges over certain property projects of owned by Guangzhou Jiayu Property Development Co., Ltd. (廣州市佳宇房地產開發有限公司) and the shares of Qinghai Pharmaceutical, a subsidiary of the Target Company.

(b) Minsheng Bank Loan B

Minsheng Bank Loan B had an original principal amount of RMB400,000,000 and was secured by a financial guarantee provided by Kaisa Shenzhen, as well as pledges over certain property projects owned by Shenzhen City Jingjia the shares of Kaisa Healthcare Investment and Qinghai Pharmaceutical, both of which are subsidiaries of the Target Company.

Further details of the Minsheng Bank Loan A and Minsheng Bank Loan B are described in Note 28 to the Historical Financial Information of the Target Company in the Accountant's Report of the Target Company as set out in Appendix II of this circular.

2. Lease liabilities

Lease liabilities are effectively secured by the related underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Enlarged Group.

3. Provision for financial guarantee contract liabilities

The provision for financial guarantee contracts liabilities represents the Shenzhen City Jingjia Financial Guarantee Contract in the aggregate sum of RMB593,547,000.

Further details of the provision for financial guarantee contracts liabilities regarding Shenzhen City Jingjia Financial Guarantee Contract are described in Note 26(b) to the Historical Financial Information of the Target Company in the Accountant's Report of the Target Company as set out in Appendix II of this circular.

4. Provision for litigation

The provision for litigation represent a full legal liability on repayment of outstanding principals as a guarantees for together with accrued interest and penalty relating to Kaisa Shenzhen with total amount of approximately RMB131,278,000.

Further details of the provision for litigation regarding Kaisa Shenzhen are described in Note 27 to the Historical Financial Information of the Target Company in the Accountant's Report of the Target Company as set out in Appendix II of this circular.

5. Amounts due to fellow subsidiaries and amount due to a holding company

The amount are unsecured, interest-free and repayable on demand.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 March 2026, the Enlarged Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantee or other contingent liabilities.

The Directors have confirmed that, save as disclosed above, there has not been any material change in the indebtedness and contingent liabilities of the Enlarged Group since 31 March 2026 and up to the Latest Practicable Date.

3. WORKING CAPITAL

After taking into account the present internal financial resources available to the Enlarged Group, including cash and bank balances, the available banking facility as well as the financial effect of the Transaction, the Directors are of the opinion that the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirement for at least 12 months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any circumstances or events that may give rise to a material adverse change in the financial or trading position of the Group since 31 December 2025, being the date to which the latest audited consolidated financial statements of the Group were made up.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below are the management discussion and analysis of the Group for the years ended 31 December 2023, 2024 and 2025. For the purpose of this circular, the financial information in respect of the Group is derived from the audited consolidated financial statements of the Group for the years ended 31 December 2023, 2024 and 2025.

For the year ended 31 December 2023

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

During the year, the Group's revenue reached approximately HK$185.9 million (2022: approximately HK$191.5 million), representing a decrease of 2.9% when compared with last year. The profit attributable to the shareholders of the Company for the year ended 31 December 2023 was approximately HK$7.47 million, representing a basic earnings per share of HK0.15 cents (2022: loss of approximately HK$123.3 million, representing a basic loss per share of HK2.45 cents).

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: Nil). There is no arrangement under which a shareholder has waived or agreed to waive any dividend.

BUSINESS REVIEW

Dental Business

The Group has engaged in the dental business, including the sales (both overseas and domestic) and production of dental prosthetics, including crowns and bridges, removable full and partial dentures, implants and full-cast restorations. The high-tech digital dental aesthetic brand developed and promoted by the Group integrated the philosophy of minimally invasive aesthetic dental prosthetic restoration and cutting-edge 3D printing technology with international recognition, promoted invisible dental brace, cosmetic dentistry and teeth whitening and veneer, providing efficient one-stop dental prosthetic restoration solutions. Revenue from the Dental Business was approximately HK$179.4 million as of 31 December 2023, representing a decrease of approximately HK$1.9 million compared to a revenue of approximately HK$181.3 million for the year ended 31 December 2022.

The Group always adheres to the dental aesthetics and prosthetics restoration philosophy of "using minimally invasive surgery with no harm to teeth" in its research and development, in order to relieve the pain patients suffer during the treatment and improve their appearance. A series of digital dental prosthetic products including Mega Veneer (美加貼面) XS, Mega 3D Simulation Zirconium (美加3D模擬鋯), Mega YiQi Clear Aligner (美加易齊透明矯正器) and removable prosthetic devices launched under the"Mega" brand in 2019 gained wide recognition among foreign technicians and dentists.

Investment in research and know-hows is always a focus in the Group's business. As at 31 December 2023, research and development expense of approximately HK$16.8 million (2022: approximately HK$17.4 million), reflecting the management's determination and vision to invest in the future technologies in the dental business. Besides, a new utility model certificate has been obtained in the first half of 2023. On the other hand, as at 31 December 2023 government grants and the other income of training and consultation in relation to research and development technologies amounted to approximately HK$2 million (2022: approximately HK$2.8 million).

The Group continued to expand its team in the Sino-US Implant R&D Centre. The application for change registration of implants of more sizes has been accepted by the National Medical Products Administration (NMPA). In 2023, the implant business has grown significantly. BIOTANIUM® implants, with its nano titanium technology, self-tapping design and immediate weight-bearing capacity, has been recognised and loved by various dentists. It has also been successfully purchased by large-scale chains in Guangdong, Shanghai and Jiangsu in 2023, the clinical use exceeds ten thousand cases, and the clinical efficacy is widely praised.

Health Care Business

Rehabilitation Business

In 2023, there were significant changes in the medical services market, with the Shenzhen Municipal Government actively guiding primary community health service centers to launch Chinese medicine rehabilitation projects. The large general hospitals, such as the University of Hong Kong – Shenzhen Hospital and Peking University Shenzhen Hospital, directly entered the sports rehabilitation business. In the face of numerous competitors and a high degree of market homogenization, Kaisa's Rehabilitation Clinic projects have implemented cost reduction and efficiency improvement measures according to its own circumstances. The Group has returned to the orthopaedic post-surgical rehabilitation business and insisted on capturing market share with its technology. The Group has undergone marketing transformations in accordance with market changes by launching marketing campaigns on Xiaohongshu and WeChat Channels. It aims to build a marketing plan for the Hejia (和佳) Sports Rehabilitation brand and strive to win the market through its reputation.

Health Leisure Business

In 2022, Zhuhai Shili Lianjiang International Health City* (珠海十里蓮江國際健康城) which is the project hold by Zhuhai Shili Lianjiang Agricultural Tourism Healthy Town Development Limited* (珠海十里蓮江農旅健康小鎮開發有限公司), an indirect subsidiary of the Company during the Period, which has entered into five joint construction projects with the government (the "**Zhuhai Shili Lianjiang Projects**") with a contract value of RMB22 million. In the first half of 2023, two new projects, rice field bar and rice filed factory, were delivered, while youth hostels and plant factories were under construction. The government-oriented infrastructure support fund of RMB9.1 million, which is specially used for upgrading the infrastructure of the park, has been completed. At the same time, the industrial operation practice of "agricultural (cultural) tourism + health care" has been actively carried out by launching a number of festivals and activities in cooperation with brands such as the Guangdong Provincial Research Conference* (廣東省研學大會) and the 2nd May Leye Life Season* (第二屆五一樂野生活季), which gradually forms a beautiful rural lifestyle integrating "agriculture (cultural) tourism + health care".

On 4 May 2023, the Group disposed the controlling interest of the Zhuhai Shili Lianjiang International Health City and will remain limited partnership interests in holding the said business. Please refer to the paragraph of subheading "Significant investment on financial assets at fair value through profit or loss" in the management discussion and analysis of this announcement.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Company occurred since 31 December 2023 and up to the date of this announcement.

PROSPECT

The Group is principally engaged in the Dental Business and Health Care Business, and has a business strategy to further diversify its business so as to further enhance shareholder value. In order to build the brand "Mega" and "BIOTANIUM®", the Group has been oriented towards advanced technologies and integrated quality medical devices in China and overseas to become a high-end dental prosthetics instrument supplier. The Group has put efforts in exploring a medical appliance system with the oral business as its up-stream and down-stream industry chain and a medical service system integrating medical care and health care, developing a closed-loop ecosystem with the coordination of these three major systems.

Dental Business

The Group considers that the increase in the consumption level in the PRC builds the base for the rapid growth in China's dental market. On this basis, through the education promoted by the overseas vendors and dentists, the populace's heightening awareness of oral hygiene provides the endogenous power for maintaining the speedy growth in the dental market. Currently, China's dental market has been rapidly developing, hence the trend of increasing dental consumption will not change, and is expected to gradually extend from the eastern coastal regions to cities in central and western part of the PRC and the overall dental market probably will continue its rapidly increasing trend for a long time in the future. It is projected that with the increase of consumption power in the PRC, regardless of whether it is in terms of the dentist proportion, consultation rate and the permeability rate of high-end dental business or the current market scale, the oral market in China has the development potential to increase over tenfold.

The Group has formulated a number of growth strategies in the dental business, including enlarging its sales network in the PRC and foreign markets (such as the US), expanding its production capacity in the PRC and developing high-end new denture prosthetics products with beauty attributes, actively participating in relevant nationwide exhibitions, and increasing its bidding of public hospitals, in order to partner with large-scale chained private clinics, providing better services such as on-site technician services for clinics.

Apart from the organic growth and sales network integration and consolidation for the dental business, the Group will also actively seek investment and collaboration opportunities in high-tech dental related areas so as to enhance cross-selling opportunities and to provide better returns of investment for the shareholders of the Company.

The Group continued to improve the production process of Basic Dental and increase capacity utilisation, actively participating in global dental exhibitions, expanding distribution networks, and with the prospect of obtaining more product approvals in 2024, the implant business is expected to achieve significant growth.

Rehabilitation Business

The rehabilitation industry is influenced by favorable national policies and continues to attract capital, leading to increasingly fierce competition within the industry. In 2024, the Group's rehabilitation project will focus on refining rehabilitation products, enhancing product strength and service standards, and providing better medical services to society.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

For the year ended 31 December 2023, the revenue of the Group amounted to approximately HK$185.9 million, representing a decrease of approximately 2.9% as compared with approximately HK$191.5 million for the year ended 31 December 2022. The decrease was mainly attributable to the adverse effect of the centralized procurement policy on the sales pricing of dental products in Mainland China and the reduction of patient visits in the rehabilitation business.

Gross Profit and Gross Profit Margin

Gross profit for the year amounted to HK$81.1 million (2022: HK$82.6 million). A decrease in the gross profit of the Group of approximately HK$1.5 million was mainly due to the decline in sales price in Mainland China. The gross profit for the dental business has decreased from approximately HK$89.4 million to approximately HK$84.5 million for a total of approximately HK$4.9 million. Gross profit margin for the year increased to 43.6% (2022: 43.1%). The increase in the gross profit margin of approximately 0.5% compared with last year was mainly attributable to an increase in the revenue proportion of the dental business segment with a higher gross margin.

Selling and Distribution Costs

Selling and distribution costs represented the management's effort to enhance the level of marketing activities.

Administrative Expenses

A decrease in administrative expenses of approximately HK$28.5 million as compared with that of the year 2022 which was mainly due to (i) the disposal of subsidiaries; (ii) the decrease in labour costs and (iii) the decrease in professional service fee.

Other Expenses

Other expenses represented the research and development (the "**R&D**") expenses. The Group spent its investments in research and development to enhance the competitiveness, production capacity, popularity of its products in the future while reducing labour costs. At the same time the Group would also apply for a deduction or exemption of PRC Enterprise Income Tax and grants and subsidies from the government in accordance with the requirements of the state. The related R&D projects include 3D engraving machines, 3D printers, 3D scanners and the development of an invisible orthodontic software.

Income Tax Expenses

Income tax expenses declined by approximately HK$1.2 million mainly due to a decrease in the taxable income of the dental business for the year ended 31 December 2023.

Loan Receivable

The loan receivable represented the loan granted to Financière Wow for settlement of the Group's EUR5 million investment in convertible bonds issued by Condor Tech, which specialises in the sales, distribution and development of the three dimensional intraoral scanners. As of 31 December 2023, the Group has recovered all amount of the loan receivable.

Cash Position and Cash Flow

The Group had a solid cash position for the year under review, with bank balances and cash amounting to approximately HK$174.1 million as at 31 December 2023 (2022: approximately HK$173.5 million).

Capital Expenditure and Capital Commitments

During the year, the Group invested approximately HK$10.9 million (2022: approximately HK$13.3 million) mainly on the purchase of equipment. As at 31 December 2023, the Group had no capital expenditure commitment due to the disposal of subsidiaries (2022: approximately HK$178.2 million).

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2023 (2022: Nil).

Treasury Policy

The Group's sales were principally denominated in Renminbi and US dollars while purchases were transacted mainly in US dollars and Renminbi.

The fluctuation of Hong Kong dollars and other currencies did not materially affect the costs and operations of the Group for the year and the Directors do not foresee significant risk in exchange rate fluctuation currently. The Group has not entered into any financial instruments for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

Liquidity, Capital Structure and Financial Resources

Equity attributable to owners of the Company as at 31 December 2023 amounted to approximately HK$492 million (2022: approximately HK$485.3 million).

As at 31 December 2023, the net current assets of the Group amounted to approximately HK$253 million (2022: HK$205.1 million). The current and quick ratio were 3.47 and 3.33 respectively (2022: 1.76 and 1.69 respectively).

As at 31 December 2023, the amount of HK$702,000 (2022: HK$723,000) represented balance due to Ms. Jiang Sisi, the spouse of Mr. Wu Tianyu (an executive Director). The amount is unsecured, interest-free and repayable on demand.

As at 31 December 2023 and 2022, no gearing ratio was calculated as there was no net debt (defined as other financial liabilities less cash and cash equivalents) by the Group.

Taking the above figures into account, the management is confident that the Group has adequate resources to settle its outstanding debts and finance its daily operational expenditures.

Charge on Assets

There was no charge on assets of the Group as at 31 December 2023 and 2022.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

Significant investment on financial assets at fair value through profit or loss

On 20 July 2021, 21 July 2021 and 31 August 2021, 和晟健康科技(海口)有限公司 (Hesheng Health Technologies (Haikou) Co., Ltd.*) (formerly known as 佳兆業健康科技(海口)有限公司 (Kaisa Health Technologies (Haikou) Co., Ltd.)*), an indirect wholly owned subsidiary of the Company which engaged in investment holding business, and 深圳盈都科技有限公司 (Shenzhen Yingdou Technology Co., Ltd.)* entered into the transfer agreements in relation to the transfer of an aggregate of 5.51% limited partnership interests holding 165,289,256.2 units in 珠海金鎰銘股權投資基金合夥企業(有限合夥) (Zhuhai Jinyiming Equity Investment Fund Partnership (L.P.))* at an investment cost of RMB180,000,000 through certain contractual arrangements. The partnership investment focuses in equity and equity related securities in the information technology, high-quality medical and health industries. Further details were set out in the Company's announcements dated 31 January 2022 and 3 March 2022.

On 4 May 2023, the Group entered into a sale and purchase agreement to dispose of its 0.1% equity interest for each in Haoyi Healthcare Services (Shenzhen) Partnership (Limited Partnership)* (浩易康養服務(深圳)合夥企業(有限合夥)) ("**Haoyi**") and Guanghao Health Consulting Service (Zhuhai) Co., Ltd.* (光浩健康諮詢服務(珠海市)有限公司) ("**Guanghao**"). Upon completion of the transaction, the Group remains 99.9% limited partnership interests in Haoyi which holds 99.9% equity interest in Guanghao. The partnership invested in the Zhuhai Shili Lianjiang Projects through Guanghao and its subsidiaries. Further details were set out in the Company's announcements dated 4 May 2023.

As at 31 December 2023, the fair value of financial assets at fair value through profit or loss was approximately HK$193.1 million, representing approximately 31.9% of the total assets of the Group. The fair value loss on this financial assets at fair value through profit or loss was approximately HK$21.3 million during the year ended 31 December 2023. The management will quarterly review the performance of partnership investment to determine the investment approach.

Disposals of Subsidiaries

On 4 May 2023, an indirect wholly-owned subsidiary of the Group entered into a sale and purchase agreement with an independent third party, being the purchaser to dispose some of its equity interest in Haoyi ("**Disposal Group**") at the cash consideration of RMB100,000 (equivalent to approximately HK$110,000). The purchaser agreed to undertake the obligations arising from the Profit Guarantee as detailed in note 12 to the consolidated statement of financial position.

Upon the disposal, the Group ceased to be the general partner of Haoyi which has the power to direct the relevant activities of Haoyi and its subsidiaries, resulting from the Group losing control over the Disposal Group. The disposal was completed on 12 June 2023. The Group's remaining limited partnership interests to the Disposal Group have been classified as financial assets at FVTPL.

Saved as disclosed above, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year 31 December 2023. There was no plan authorised by the Board for other material investments or additional capital assets as at the date of this announcement.

* *For identification purpose only*

EMPLOYEES AND REMUNERATION POLICY

The Group employed approximately 893 employees in total as at 31 December 2023 in Hong Kong, the PRC and the U.S. (31 December 2022: approximately 940 in Hong Kong, the PRC and the U.S.). The Group's total staff costs were HK$119,605,000 for the year ended 31 December 2023 (31 December 2022: HK$127,341,000).

The Group implemented its remuneration policy, bonus and share option schemes based on the performance of the Group and its employees. The Group provided benefits such as social insurance and pensions to ensure competitiveness.

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules.

The employees of the Company's PRC subsidiaries are members of state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefits scheme to fund the benefits.

The employees of the Company's USA subsidiary are members of state-managed retirement benefits scheme operated by the New Mexico government. The Company's USA subsidiary is required to contribute a certain percentage of basic payroll to the retirement benefits scheme to fund the benefits.

In addition, the Group had also adopted a share option scheme as a long term incentive to the Directors and eligible employees. The emolument policy for the Directors and senior management of the Group is set up by the remuneration committee (the "**Remuneration Committee**") of the Board, having regard to the Group's performance, individual performance and comparable market conditions.

For the year ended 31 December 2024

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

During the Year, the Group recorded revenue of approximately HK$185.4 million (2023: approximately HK$185.9 million), representing a slight decrease of 0.3% when compared with FY2023. The loss attributable to the owners of the Company for the Year was approximately HK$46.4 million (2023: profit of approximately HK$7.5 million). Basic loss per share for the Year were HK0.92 cents per share (2023: basic earnings per share of HK0.15 cents).

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the Year (2023: Nil).

BUSINESS REVIEW

Dental Business

The Group has engaged in the dental business, including the sales (both overseas and domestic) and production of dental prosthetics, including crowns and bridges, removable full and partial dentures, implants and full-cast restorations. The high-tech digital dental aesthetic brand developed and promoted by the Group integrated the philosophy of minimally invasive aesthetic dental prosthetic restoration and cutting-edge 3D printing technology with international recognition, promoted invisible dental brace, cosmetic dentistry and teeth whitening and veneer, providing efficient one-stop dental prosthetic restoration solutions. Revenue from the Dental Business was approximately HK$179.0 million as of 31 December 2024, representing a decrease of approximately HK$0.4 million compared to a revenue of approximately HK$179.4 million for FY2023. The decrease was attributable to the decrease in selling price of products due to the impact of the national procurement policy.

The Group always adheres to the dental aesthetics and prosthetics restoration philosophy of "using minimally invasive surgery with no harm to teeth" in its research and development, in order to relieve the pain patients suffer during the treatment and improve their appearance. A series of digital dental prosthetic products including Mega Veneer (美加貼面) XS, Mega 3D Simulation Zirconium (美加3D模擬鋯), Mega YiQi Clear Aligner (美加易齊透明矯正器) and removable prosthetic devices launched under the"Mega" brand in 2019 gained wide recognition among foreign technicians and dentists.

Investment in research and know-hows is always a focus in the Group's business. As at 31 December 2024, research and development expense of approximately HK$12.5 million (2023: approximately HK$16.8 million). The continuous investment in research and development reflects the management's determination and vision to invest in the future technologies in the dental business. On the other hand, as at 31 December 2024 government grants amounted to approximately HK$0.9 million (2023: approximately HK$2.3 million).

Health Care Business

Rehabilitation Business

In 2024, Shenzhen became one of the first 12 national "Model Cities (Districts) for National Fitness" in China. The government further promoted national fitness and integration of sports and hygiene, and the sports and rehabilitation market further grew steadily. Under the influence of this favourable policy, more social capitals were optimistic about the sports and rehabilitation industry and entered the market to compete. In 2024, internal operational adjustments was carried out in the Hejia Sports Rehabilitation Clinic to further promote cost reduction and efficiency enhancement, and achieved significant business growth in 2024.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

For the Year, the revenue of the Group amounted to approximately HK$185.4 million, representing a slight decrease of approximately HK$0.5 million or 0.3% as compared with approximately HK$185.9 million for FY2023. The decrease was mainly attributable to the decline in the average selling price of products.

Gross Profit and Gross Profit Margin

Gross profit for the Year amounted to HK$81.9 million (2023: HK$81.1 million). An increase in the gross profit of the Group of approximately HK$0.8 million or 1.0% was mainly due to the increase in the gross profit for the health care business. The gross profit for the dental business has decreased from approximately HK$84.5 million to approximately HK$81.7 million for a total of approximately HK$2.8 million. Gross profit margin for the Year increased to 44.2% (2023: 43.6%). The increase in the gross profit margin of approximately 0.6% compared with FY2023 was mainly attributable to the decrease in the cost of sales due to the improved production and management efficiency during the Year.

Selling and Distribution Costs

Selling and distribution costs represented the management's effort to enhance the level of marketing activities. The selling and distribution costs decreased by approximately HK$1.9 million or 3.8% from approximately HK$49.5 million for the FY2023 to approximately HK$47.6 million for the FY2024. The decrease in selling and distribution costs was in line with the decrease in sales.

Administrative Expenses

The administrative expenses decreased by approximately HK$11.9 million or 20.6% from approximately HK$57.9 million for the FY2023 to approximately HK$46.0 million for the FY2024. The decrease in administrative expenses was mainly due to lower general administrative costs for reduced operational projects and the decrease in professional service fees.

Impairment loss recognised on other receivables

The impairment loss recognised on other receivables increased by approximately HK$17.8 million or 434.1% from approximately HK$4.1 million for the FY2023 to approximately HK$21.9 million for the FY2024. The increase in impairment loss recognised on other receivables was mainly due to an impairment loss recognised on a deposit paid of approximately HK$21.2 million for an acquisition of land use rights. The acquisition was terminated during the FY2023 and the counterparty did not refund the amount in 2024 and up to the date of this announcement and the uncollected amount was fully impaired during the Year.

Research and Development Expenses

The Research and development (the "**R&D**") expenses decreased by approximately 25.6% from approximately HK$16.8 million for the FY2023 to approximately HK$12.5 million for the FY2024. The decrease was mainly due to the reduction in number of R&D headcount. The Group spent its investments in research and development to enhance the competitiveness, production capacity, popularity of its products in the future while reducing labour costs. At the same time the Group would also apply for a deduction or exemption of PRC Enterprise Income Tax and grants and subsidies from the government in accordance with the requirements of the state. The related R&D projects include 3D engraving machines, 3D printers, 3D scanners and the development of an invisible orthodontic software.

Income Tax Expenses

Income tax expenses increased by approximately HK$2.0 million from income tax credit of approximately HK$0.1 million for FY2023 to approximately HK$1.9 million for the FY2024. The change was mainly due to an increase in the taxable income of the dental business for the Year.

Loan Receivable

The Group had no loan receivable as at 31 December 2024 and 2023.

Financial assets at fair value through profit or loss

Zhuhai Partnership

On 20 July 2021, 21 July 2021 and 31 August 2021, 和晟健康科技(海口)有限公司 (Hesheng Health Technologies (Haikou) Co., Ltd.*) (formerly known as 佳兆業健康科技(海口)有限公司 (Kaisa Health Technologies (Haikou) Co., Ltd.)*), an indirect wholly owned subsidiary of the Company which engaged in investment holding business and 深圳盈都科技有限公司 (Shenzhen Yingdou Technology Co., Ltd.)* entered into the transfer agreements in relation to the transfer of an aggregate of 165,289,256.2 units, representing 5.51% limited partnership interests, in 珠海金鎰銘股權投資基金合夥企業(有限合夥) (Zhuhai Jinyiming Equity Investment Fund Partnership (L.P.))* (the "**Zhuhai Partnership**") at an investment cost of RMB180,000,000 through certain contractual arrangements. The Zhuhai Partnership investment focuses on investing in equity and equity related securities in the information technology, high-quality medical and health industries. Further details were set out in the Company's announcements dated 31 January 2022 and 3 March 2022.

Haoyi Partnership

On 4 May 2023, the Group entered into a sale and purchase agreement to dispose of its 0.1% equity interest for each in Haoyi Healthcare Services (Shenzhen) Partnership (Limited Partnership)* (浩易康養服務(深圳)合夥企業(有限合夥)) ("**Haoyi Partnership**") and Guanghao Health Consulting Services (Zhuhai) Co., Ltd.* (光浩健康諮詢服務(珠海市)有限公司 ("**Guanghao**") at the cash consideration of RMB100,000 (equivalent to approximately HK$110,000). Upon completion of the transaction on 12 June 2023, the Group ceased to be the general partner of the Haoyi Partnership which has the power to direct the relevant activities of the Haoyi Partnership and its subsidiaries, resulting from the Group losing control over the Haoyi Partnership and its subsidiaries. The Group remains 99.9% limited partnership interests in Haoyi Partnership which holds 99.9% equity interest in Guanghao. The Haoyi Partnership invested in the Zhuhai Shili Lianjiang Projects through Guanghao and its subsidiaries. The Group's remaining limited partnership interests to the Haoyi Partnership and its subsidiaries have been classified as financial assets at FVTPL. Further details were set out in the Company's announcement dated 4 May 2023.

As at 31 December 2024, the fair value of financial assets at fair value through profit or loss was approximately HK$160.3 million (2023: approximately HK$193.1 million), representing approximately 31% of the total assets of the Group. The decrease in the financial assets at fair value through profit or loss of approximately 17.0% compared with 31 December 2023 was mainly due to the decline in the valuation of underlying equity and equity related securities invested by Zhuhai Partnership and Haoyi Partnership. The fair value loss on these financial assets at fair value through profit or loss was approximately HK$9.8 million during the Year (2023: approximately HK$21.3 million).

The following table summarizes the information regarding the Group's significant investments classified as financial assets at fair value through profit or loss as at 31 December 2024:

Investee	Principal businesses of the underlying investments	Interest held as at 31 December 2024	Cost of investment as at 31 December 2024 *HK$ million*	Fair value as at 31 December 2024 *HK$ million*	Percentage of fair value relative to total assets	Fair value profit/(loss) during FY2024 *HK$ million*
Zhuhai Jinyiming Equity Investment Fund Partnership (L.P.)* (珠海金鎰銘股權投資基金合夥企業(有限合夥))	Equity and equity related securities in the information technology, high-quality medical and health industries	5.51% limited partnership interests	167.1	117.0	22.6%	(2.9)
Haoyi Healthcare Services (Shenzhen) Partnership (Limited Partnership)* (浩易康養服務(深圳)合夥企業(有限合夥))	Zhuhai Shili Lianjiang Projects	99.9% limited partnership interests	48.7	43.3	8.4%	(6.9)
Total				160.3		(9.8)

The management will quarterly review the performance of partnership investments to determine the investment approach.

Significant Investments, Material Acquisitions and Disposals

Save as disclosed in this announcement, the Group had not made any significant investments or material acquisitions and disposals of subsidiaries, associates or joint ventures during the Year. There was no plan authorised by the Board for other material investments or additional capital assets as at the date of this report.

Bank Balances and Cash

The Group had a solid cash position for the Year under review, with bank balances and cash amounting to approximately HK$149.6 million as at 31 December 2024 (2023: approximately HK$174.1 million).

* *For identification purpose only*

Capital Expenditure and Capital Commitments

During the Year, the Group invested approximately HK$7.0 million (2023: approximately HK$19.2 million) mainly on the purchase of equipment. As at 31 December 2024, the Group had no capital expenditure commitment (2023: Nil).

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2024 (2023: Nil).

Charge on Assets

There was no charge on assets of the Group as at 31 December 2024 and 2023.

Treasury Policy

The Group's sales were principally denominated in Renminbi and US dollars while purchases were transacted mainly in US dollars and Renminbi. The currencies held under cash and cash equivalents were mainly US dollars, Renminbi and Hong Kong dollars.

The fluctuation of Hong Kong dollars and other currencies did not materially affect the costs and operations of the Group for the Year and the Directors do not foresee significant risk in exchange rate fluctuation currently. The Group has not entered into any financial instruments for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

Liquidity, Capital Structure and Financial Resources

Equity attributable to owners of the Company as at 31 December 2024 amounted to approximately HK$431.2 million (2023: approximately HK$492.0 million).

As at 31 December 2024, the net current assets of the Group amounted to approximately HK$228.0 million (2023: HK$253.0 million). The current and quick ratio were 3.71 and 3.55 respectively (2023: 3.47 and 3.33 respectively).

As at 31 December 2024, indebtedness of the Group including an amount due to ultimate holding company of approximately HK$0.2 million (31 December 2023: approximately HK$0.1 million) and amounts due to fellow subsidiaries of approximately HK$1.1 million (31 December 2023: approximately HK$1.1 million) which are unsecured, interest-free and repayable on demand.

As at 31 December 2024 and 2023, no gearing ratio was calculated as there was no net debt (defined as other financial liabilities less cash and cash equivalents) by the Group.

The number of issued ordinary shares (the "**Shares**") of the Company was 5,042,139,374 as at 31 December 2024 (31 December 2023: 5,042,139,374 Shares).

Taking the above figures into account, the management is confident that the Group is financially strong and has adequate resources to settle its outstanding debts, to finance its daily operational expenditures and also the cash requirements for the Group's future acquisition and expansion.

PROSPECT

The Group is principally engaged in the Dental Business and Health Care Business, and has a business strategy to further diversify its business so as to further enhance shareholder value. In order to build the brand "Mega" and "BIOTANIUM®", the Group has been oriented towards advanced technologies and integrated quality medical devices in China and overseas to become a high-end dental prosthetics instrument supplier. The Group has put efforts in exploring a medical appliance system with the oral business as its up-stream and down-stream industry chain and a medical service system integrating medical care and health care, developing a closed-loop ecosystem with the coordination of these two major systems.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Company occurred since 31 December 2024 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

The Group employed approximately 861 employees in total as at 31 December 2024 (31 December 2023: approximately 893) in Hong Kong, the PRC and USA. The Group's total staff costs were HK$113,789,000 for the year ended 31 December 2024 (31 December 2023: HK$119,605,000). The Group implemented its remuneration policy, bonus and share option schemes based on the performance of the Group and its employees. The Group provided benefits such as social insurance and pensions to ensure competitiveness. In addition, the Group had also adopted a share option scheme as a long term incentive to the Directors and eligible employees. The emolument policy for the Directors and senior management of the Group is set up by the remuneration committee (the "**Remuneration Committee**") of the Board, having regard to the Group's performance, individual performance and comparable market conditions.

For the year ended 31 December 2025

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

During the year ended 31 December 2025 (the "**Year**" or "**FY2025**"), the Group recorded revenue of approximately HK$139.1 million (the year ended 31 December 2024 ("**FY2024**"): approximately HK$185.4 million), representing a decrease of 25.0% when compared with last year. The loss attributable to the owners of the Company for the Year was approximately HK$46.7 million (2024: loss of approximately HK$46.4 million). Basic loss per share for the Year was HK0.93 cents per share (2024: basic loss per share of HK0.92 cents).

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the Year (2024: Nil).

BUSINESS REVIEW

Dental Business

The Group has engaged in the dental business, including the sales (both overseas and domestic) and production of dental prosthetics, including crowns and bridges, removable full and partial dentures, implants and full-cast restorations. The high-tech digital dental aesthetic brand developed and promoted by the Group integrated the philosophy of minimally invasive aesthetic dental prosthetic restoration and cutting-edge 3D printing technology with international recognition, promoted invisible dental brace, cosmetic dentistry and teeth whitening and veneer, providing efficient one-stop dental prosthetic restoration solutions. Revenue from the Dental Business was approximately HK$132.0 million as of 31 December 2025, representing a decrease of approximately HK$47.0 million compared to a revenue of approximately HK$179.0 million for the twelve months ended 31 December 2024. The decrease was attributable to the decrease in selling price of products due to the impact of the national procurement policy.

The Group always adheres to the dental aesthetics and prosthetics restoration philosophy of "using minimally invasive surgery with no harm to teeth" in its research and development, in order to relieve the pain patients suffer during the treatment and improve their appearance. A series of digital dental prosthetic products including Mega Veneer (美加貼面) XS, Mega 3D Simulation Zirconium (美加3D模擬鋯), Mega YiQi Clear Aligner (美加易齊透明矯正器) and removable prosthetic devices launched under the"Mega" brand in 2019 gained wide recognition among foreign technicians and dentists.

Investment in research and know-hows is always a focus in the Group's business. As at 31 December 2025, research and development expense of approximately HK$16.9 million (2024: approximately HK$12.5 million). The continuous investment in research and development reflects the management's determination and vision to invest in the future technologies in the dental business. On the other hand, as at 31 December 2025 government grants amounted to approximately HK$0.2 million (2024: approximately HK$0.9 million).

The Group continued to expand its team in the Sino-US Implant R&D Centre. The applications for change registration of implant of more sizes were approved by the National Medical Products Administration (NMPA) in July 2024. The Group continued to improve and increase its implant production capacity by investing in Basic (Chengdu) medical Device Co. Ltd. ("**Basic**"), an implant production plant in Chengdu. After obtaining its business license in June 2024, Basic obtained a Class III medical device operating permit and Class II medical device operating filing certificate in November 2024. It passed the ISO 13485 certification in August 2025, and obtained a Class II medical device manufacturing license in September 2025. Subsequently, it has commenced smooth production with continuously increasing capacity. This not only ensures a stable supply to the public hospital market but also lays a solid foundation for the Group's overseas market expansion. Additionally, there has been a significant increase in the use of implant products in clinical institutions. During the Year, the Group's implants were adopted in more chain dental institutions in Shandong and Shanghai.

Health Care Business

In 2025, the Sports and Health Branch of the Shenzhen Preventive Medicine Association was established under the leadership of Peking University Shenzhen Hospital. Hejia Rehabilitation became one of the first committee member units. Hejia Rehabilitation's medical quality continues to receive industry recognition. During the Year, both patient volume and customer satisfaction at Hejia Rehabilitation Clinic increased over the previous year.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

For the Year, the revenue of the Group amounted to approximately HK$139.1 million, representing a decrease of approximately HK$46.3 million or 25.0% as compared with approximately HK$185.4 million for FY2024. The decrease was mainly attributable to the decrease in the average selling price of dental products due to the on-going adverse impact of the PRC government's policy (centralised procurement prices) include, among others, setting price ceilings for dental products sold in the country.

Gross Profit and Gross Profit Margin

Gross profit for the Year amounted to HK$50.6 million (2024: HK$81.9 million). A decrease in the gross profit of the Group of approximately HK$31.3 million or 38.2% was mainly due to the decrease in the gross profit for the dental business. The gross profit for the dental business has decreased from approximately HK$81.7 million to approximately HK$50.1 million for a total of approximately HK$31.6 million. Gross profit margin for the Year decreased to approximately 36.4% (2024: approximately 44.2%). The decrease in the gross profit margin of approximately 7.8% compared with FY2024 was mainly attributable to a decrease in average selling price from the dental business during the Year.

Selling and Distribution Costs

Selling and distribution costs represented the management's effort to enhance the level of marketing activities. The selling and distribution costs increased by approximately HK$3.6 million or 7.6% from approximately HK$47.6 million for the FY2024 to approximately HK$51.2 million for the FY2025. The increase in selling and distribution costs was mainly due to the increase in marketing and promotion expenses.

Administrative Expenses

The administrative expenses decreased by approximately HK$10.9 million or 23.7% from approximately HK$46.0 million for the FY2024 to approximately HK$35.1 million for the FY2025. The decrease in administrative expenses was mainly due to lower labour costs and improved management efficiency.

Impairment loss recognised on other receivables

The impairment loss recognised on other receivables decreased by approximately HK$18.8 million or 85.8% from approximately HK$21.9 million for the FY2024 to approximately HK$3.1 million for the FY2025. The decrease in impairment loss recognised on other receivables was mainly due to a prior impairment loss recognised on a deposit paid of approximately HK$21.2 million for an acquisition of land use rights. The acquisition was terminated during the year ended 31 December 2023 and the counterparty did not refund the amount in FY2024 and the uncollected amount was fully impaired during the FY2024. The deposits remained unrecovered during FY2025.

Research and Development Expenses

The Research and development (the "**R&D**") expenses increased by approximately HK$4.4 million from approximately HK$12.5 million for the FY2024 to approximately HK$16.9 million for the FY2025. The increase was mainly due to the increase in labour costs. The Group spent its investments in research and development to enhance the competitiveness, production capacity, popularity of its products in the future while reducing labour costs. At the same time the Group would also apply for a deduction or exemption of PRC Enterprise Income Tax and grants and subsidies from the government in accordance with the requirements of the state. The related R&D projects include 3D engraving machines, 3D printers, 3D scanners and the development of an invisible orthodontic software.

Income Tax Expenses

Income tax expenses decreased by approximately HK$2.0 million from income tax expense of approximately HK$1.9 million for FY2024 to income tax credit of approximately HK$0.1 million for the FY2025. The change was mainly due to a decrease in the taxable income of the dental business for the Year.

Financial assets at fair value through profit or loss

Zhuhai Partnership

On 20 July 2021, 21 July 2021 and 31 August 2021, 和晟健康科技(海口)有限公司 (Hesheng Health Technologies (Haikou) Co., Ltd.*) (formerly known as 佳兆業健康科技(海口)有限公司 (Kaisa Health Technologies (Haikou) Co., Ltd.)*), an indirect wholly owned subsidiary of the Company which engaged in investment holding business and 深圳盈都科技有限公司 (Shenzhen Yingdou Technology Co., Ltd.)* entered into the transfer agreements in relation to the transfer of an aggregate of 165,289,256.2 units, representing 5.51% limited partnership interests, in 珠海金鎰銘股權投資基金合夥企業(有限合夥) (Zhuhai Jinyiming Equity Investment Fund Partnership (L.P.))* (the "**Zhuhai Partnership**") at an investment cost of RMB180,000,000 through certain contractual arrangements. The Zhuhai Partnership investment focuses on investing in equity and equity related securities in the information technology, high-quality medical and health industries. Further details were set out in the Company's announcements dated 31 January 2022 and 3 March 2022.

Haoyi Partnership

On 4 May 2023, the Group entered into a sale and purchase agreement to dispose of its 0.1% equity interest for each in Haoyi Healthcare Services (Shenzhen) Partnership (Limited Partnership)* (浩易康養服務(深圳)合夥企業(有限合夥)) ("**Haoyi Partnership**") and Guanghao Health Consulting Services (Zhuhai) Co., Ltd.* (光浩健康諮詢服務(珠海市)有限公司 ("**Guanghao**") at the cash consideration of RMB100,000 (equivalent to approximately HK$110,000). Upon completion of the transaction on 12 June 2023, the Group ceased to be the general partner of the Haoyi Partnership which has the power to direct the relevant activities of the Haoyi Partnership and its subsidiaries, resulting from the Group losing control over the Haoyi Partnership and its subsidiaries. The Group remains 99.9% limited partnership interests in Haoyi Partnership which holds 99.9% equity interest in Guanghao. The Haoyi Partnership invested in the Zhuhai Shili Lianjiang Projects through Guanghao and its subsidiaries. The Group's remaining limited partnership interests to the Haoyi Partnership and its subsidiaries have been classified as financial assets at FVTPL. Further details were set out in the Company's announcement dated 4 May 2023.

As at 31 December 2025, the fair value of financial assets at fair value through profit or loss was approximately HK$162.2 million (2024: approximately HK$160.3 million), representing approximately 34.4% of the total assets of the Group. The increase in the financial assets at fair value through profit or loss of approximately 1.2% compared with 31 December 2024 was mainly due to the increase in the valuation of underlying equity and equity related securities invested by Zhuhai Partnership and Haoyi Partnership. The fair value gain on these financial assets at fair value through profit or loss was approximately HK$10.6 million during the Year (2024: loss of approximately HK$9.8 million).

The following table summarizes the information regarding the Group's significant investments classified as financial assets at fair value through profit or loss as at 31 December 2025:

Investee	Principal businesses of the underlying investments	Interest held as at 31 December 2025	Cost or investment as at 31 December 2025 *HK$ million*	Fair value as at 31 December 2025 *HK$ million*	Percentage of fair value relative to total assets	Fair value profit/(loss) during the FY2025 *HK$ million*
Zhuhai Jinyiming Equity Investment Fund Partnership (L.P.)* (珠海金鎰銘股權投資基金合夥企業(有限合夥))	Equity and equity related securities in the information technology, high-quality medical and health industries	5.51% limited partnership interests	166.0	117.1	24.8%	11.0
Haoyi Healthcare Services (Shenzhen) Partnership (Limited Partnership)* (浩易康養服務(深圳)合夥企業(有限合夥))	Zhuhai Shili Lianjiang Projects	99.9% limited partnership interests	48.7	45.1	9.6%	(0.4)
Total				162.2		10.6

The management will quarterly review the performance of partnership investments to determine the investment approach.

Significant Investments, Material Acquisitions and Disposals

Save as disclosed in this announcement, the Group had not made any significant investments or material acquisitions and disposals of subsidiaries, associates or joint ventures during the Year. There was no plan authorised by the Board for other material investments or additional capital assets as at the date of this announcement.

Bank Balances and Cash

The Group had a solid cash position for the Year under review, with bank balances and cash amounting to approximately HK$109.6 million as at 31 December 2025 (2024: approximately HK$149.6 million).

* *For identification purpose only*

Capital Expenditure and Capital Commitments

During the Year, the Group invested approximately HK$21.2 million (2024: approximately HK$7.4 million) mainly on the purchase of equipment and right-of-use assets. As at 31 December 2025, the Group had no capital expenditure commitment (2024: Nil).

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2025 (2024: Nil).

Charge on Assets

There was no charge on assets of the Group as at 31 December 2025 and 2024.

Treasury Policy

The Group's sales were principally denominated in Renminbi and US dollars while purchases were transacted mainly in US dollars and Renminbi. The currencies held under cash and cash equivalents were mainly US dollars, Renminbi and Hong Kong dollars.

The fluctuation of Hong Kong dollars and other currencies did not materially affect the costs and operations of the Group for the Year and the Directors do not foresee significant risk in exchange rate fluctuation currently. The Group has not entered into any financial instruments for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

Liquidity, Capital Structure and Financial Resources

Equity attributable to owners of the Company as at 31 December 2025 amounted to approximately HK$403.4 million (2024: approximately HK$431.2 million).

As at 31 December 2025, the net current assets of the Group amounted to approximately HK$192.5 million (2024: HK$228.0 million). The current and quick ratio were 3.98 and 3.74 respectively (2024: 3.71 and 3.55 respectively).

As at 31 December 2025, indebtedness of the Group including an amount due to ultimate holding company of approximately HK$0.4 million (31 December 2024: approximately HK$0.2 million) and amounts due to fellow subsidiaries of approximately HK$1.1 million (31 December 2024: approximately HK$1.1 million) which are unsecured, interest-free and repayable on demand.

As at 31 December 2025 and 2024, no gearing ratio was calculated as there was no net debt (defined as other financial liabilities less cash and cash equivalents) by the Group.

The number of issued ordinary shares (the "**Shares**") of the Company was 5,042,139,374 as at 31 December 2025 (31 December 2024: 5,042,139,374 Shares).

Taking the above figures into account, the management is confident that the Group is financially strong and has adequate resources to settle its outstanding debts, to finance its daily operational expenditures and also the cash requirements for the Group's future acquisition and expansion.

PROSPECT

The Group is principally engaged in Dental and Health Businesses. Its development strategy centers on deepening core markets and enhancing brand value, continuously strengthening industrial layout and resource integration to enhance shareholder value. The Group prioritizes developing its core brands "Mega" and "Basic," leveraging digital dental technology and professional sports rehabilitation services as dual engines for growth. The objective is to become the industry leader in high-end dental consumables and regional sports rehabilitation in the country. By establishing an integrated medical device and healthcare service system, the Group is leveraging synergies across its businesses to form a perfect closed-loop ecosystem.

Dental Business

The Group considers that the increase in the consumption level in the PRC builds the base for the rapid growth in China's dental market. On this basis, through the education promoted by the overseas vendors and dentists, the populace's heightening awareness of oral hygiene provides the endogenous power for maintaining the speedy growth in the dental market. Currently, China's dental market has been rapidly developing, hence the trend of increasing dental consumption will not change, and is expected to gradually extend from the eastern coastal regions to cities in central and western part of the PRC and the overall dental market probably will continue its rapidly increasing trend for a long time in the future. It is projected that with the increase of consumption power in the PRC, regardless of whether it is in terms of the dentist proportion, consultation rate and the penetration rate of high-end dental business or the current market scale, the oral market in China has the development potential to increase over tenfold.

The Group has formulated a number of growth strategies in the dental business, including enlarging its sales network in the PRC and foreign markets (such as the US), expanding its production capacity in the PRC and developing high-end new denture prosthetics products with beauty attributes, actively participating in relevant nationwide exhibitions, and increasing its bidding of public hospitals, in order to partner with large-scale chained private clinics, providing better services such as on-site technician services for clinics.

Apart from the organic growth and sales network integration and consolidation for the dental business, the Group will also actively seek investment and collaboration opportunities in high-tech dental related areas so as to enhance cross-selling opportunities and improve its overall operational efficiency, thereby delivering better returns on investment for the shareholders of the Company.

Health Care Business

With the support of national policies for the development of "Sports and Health Integration," it is expected that the sports rehabilitation industry will continue to benefit from policy incentives in 2026. However, influenced by macroeconomic conditions and consumer sentiment, customer conversion remains challenging while market competition intensifies. In 2026, Hejia Rehabilitation Clinic will focus on brand building and expanding its local market presence to enhance regional influence. The Group will further deepen collaborations with insurance institutions, lowering consumer barriers by streamlining insurance payment processes and optimizing settlement procedures. Additionally, the Group will strengthen medical team development and technological R&D, while optimizing service workflows to enhance customer experience. These efforts aim to consolidate and expand its local market share, ensuring steady business growth.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Pursuant to the Company's announcement dated 18 March 2026 (the "**Announcement**"), the Company announced the following:

(i) Share Consolidation

The Company proposed to implement the share consolidation (the "**Share Consolidation**") on the basis that every fifty (50) existing shares of HK$0.00125 each be consolidated into one (1) consolidated share (the "**Consolidated Share**") of HK$0.0625 each (the"**Share Consolidation**"). The Share Consolidation is conditional upon, among other things, the passing of an ordinary resolution by the shareholders of the Company at the special general meeting of the Company to approve the Share Consolidation.

(ii) Acquisition of Embrace Blossom

On 18 March 2026, the Company (as purchaser) and the Profit Vigorous Developments Limited (益旺發展有限公司) (a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Kaisa Group as at the date of the Announcement, the "**Vendor**") (as vendor) entered into the agreement (the "**Agreement**") pursuant to which the Company conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, representing the entire issued share capital of Embrace Blossom Limited (崇興有限公司, "**Embrace Blossom**", a company incorporated in the British Virgin Islands with limited liability and is wholly owned by the Vendor as at the date of the Announcement), for the consideration in the amount of RMB21,603,729 (equivalent to approximately HK$24,412,214), which will be fully satisfied by:

(i) assuming the Share Consolidation having taken effect, the allotment and issue of 2,789,967 Consideration Shares at the issue price of HK$8.75 per Consideration Share by the Company to the Vendor upon completion of the acquisition; and

(ii) assuming the Share Consolidation not having taken effect, the allotment and issue of 139,498,364 Consideration Shares at the issue price of HK$0.175 per Consideration Share by the Company to the Vendor upon completion of the acquisition

Details of the above are set out in the Company's announcement dated 18 March 2026.

Saved as disclosed above and elsewhere in this announcement, no important events affecting the Company occurred since 31 December 2025 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

The Group employed approximately 825 employees in total as at 31 December 2025 (31 December 2024: approximately 861) in Hong Kong, the PRC and USA. The Group's total staff costs were HK$103,570,000 for the year ended 31 December 2025 (31 December 2024: HK$113,789,000). The Group implemented its remuneration policy, bonus and share option schemes based on the performance of the Group and its employees. The Group provided benefits such as social insurance and pensions to ensure competitiveness. In addition, the Group had also adopted a share option scheme as a long term incentive to the Directors and eligible employees. The emolument policy for the Directors and senior management of the Group is set up by the remuneration committee (the "**Remuneration Committee**") of the Board, having regard to the Group's performance, individual performance and comparable market conditions.

6. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in Dental and Health Businesses. Its development strategy centers on deepening core markets and enhancing brand value, continuously strengthening industrial layout and resource integration to enhance shareholder value. The Group prioritizes developing its core brands "Mega" and "Basic," leveraging digital dental technology and professional sports rehabilitation services as dual engines for growth. The objective is to become the industry leader in high-end dental consumables and regional sports rehabilitation in the country. By establishing an integrated medical device and healthcare service system, the Group is leveraging synergies across its businesses to form a perfect closed-loop ecosystem.

The Group considers that the increase in the consumption level in the PRC builds the base for the rapid growth in China's dental market. On this basis, through the education promoted by the overseas vendors and dentists, the populace's heightening awareness of oral hygiene provides the endogenous power for maintaining the speedy growth in the dental market. Currently, China's dental market has been rapidly developing, hence the trend of increasing dental consumption will not change, and is expected to gradually extend from the eastern coastal regions to cities in central and western part of the PRC and the overall dental market probably will continue its rapidly increasing trend for a long time in the future. It is projected that with the increase of consumption power in the PRC, regardless of whether it is in terms of the dentist proportion, consultation rate and the penetration rate of high-end dental business or the current market scale, the oral market in China has the development potential to increase over tenfold. The Group has formulated a number of growth strategies in the dental business, including enlarging its sales network in the PRC and foreign markets (such as the US), expanding its production capacity in the PRC and developing high-end new denture prosthetics products with beauty attributes, actively participating in relevant nationwide exhibitions, and increasing its bidding of public hospitals, in order to partner with large-scale chained private clinics, providing better services such as on-site technician services for clinics. Apart from the organic growth and sales network integration and consolidation for the dental business, the Group will also actively seek investment and collaboration opportunities in high-tech dental related areas so as to enhance cross-selling opportunities and improve its overall operational efficiency, thereby delivering better returns on investment for the shareholders of the Company.

With the support of national policies for the development of "Sports and Health Integration," it is expected that the sports rehabilitation industry will continue to benefit from policy incentives in 2026. However, influenced by macroeconomic conditions and consumer sentiment, customer conversion remains challenging while market competition intensifies. In 2026, Hejia Rehabilitation Clinic will focus on brand building and expanding its local market presence to enhance regional influence. The Group will further deepen collaborations with insurance institutions, lowering consumer barriers by streamlining insurance payment processes and optimizing settlement procedures. Additionally, the Group will strengthen medical team development and technological R&D, while optimizing service workflows to enhance customer experience. These efforts aim to consolidate and expand its local market share, ensuring steady business growth.

The Project Business is along the same line of business as the Existing Businesses as both of them relate to the healthcare field. Among others, both the Project Business and the Dental Business involve the research and development and production of medical products for sale and distribution through third-party distributors to downstream service providers and patient end-users. Following completion of the Acquisition, a diversification of the Group into the Project Business would allow the Group to benefit from better economies of scale in terms of sales and marketing activities and provide for cross-referral of sale opportunities through their respective distribution networks within the public and private healthcare system in the PRC, in particular in the dentistry field. A diversification of the Group into the Project Business, which is relatively mature and well-established, would also enable the Group to broaden its income stream and secure a foothold in the pharmaceutical market, which can enhance the corporate brand of the Company as a healthcare enterprise. In addition, the Company believes that the Acquisition would create a synergy for the Existing Businesses, details of which are set out in the section headed "H. REASONS FOR AND BENEFITS OF THE ACQUISITION" in the letter from the Board section in this circular.

The following is the text of a report received from the Company's reporting accountants, ZSZH (HK) Fuson CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KAISA HEALTH GROUP HOLDINGS LIMITED

Introduction

We report on the historical financial information of Embrace Blossom Limited (the "**Target Company**") and its subsidiaries (collectively referred to as "**Target Group**") set out on pages II-5 to II-59, which comprises the consolidated statement of financial position of the Target Group as at 31 December 2023, 2024, 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statements of changes in equity and consolidated statement of cash flows of the Target Group, for each of the three years ended 31 December 2023, 2024 and 2025 (the "**Relevant Periods**"), and a material accounting information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-5 to II-59 forms an integral part of this report, which has been prepared for inclusion in the circular dated 2 June 2026 (the "**Circular**") issued by Kaisa Health Group Holdings Limited (the "**Company**") in connection with the proposed acquisition of 100% of equity interest of the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the Target Group's financial position as at 31 December 2023, 2024 and 2025, and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to Note 2 to the Historical Financial Information, as at 31 December 2025, its current liabilities exceeded its current assets by approximately RMB751,789,000 and total deficit of equity of approximately RMB443,224,000. This condition, along with other matters as set forth in Note 2 to the Historical Financial Information, indicate the existence of material uncertainties which may cast significant doubt on the Target Group's ability to continue as a going concern. The directors of the Target Company, having considered the plans and measures being taken by the Target Group as set out in Note 2 to the Historical Financial Information, are of the opinion that the Target Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividend was declared or paid by the Target Company in respect of the Relevant Periods.

ZSZH (HK) Fuson CPA Limited
Certified Public Accountants

Unit 2, 27/F, Wu Chung House,
213 Queen's Road East,
Wan Chai, Hong Kong

Lee Yan Fai
Practising Certificate Number: P06078
Hong Kong, 2 June 2026

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The underlying financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRS Accounting Standards**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and were audited by us in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented Renminbi ("**RMB**"), and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE YEARS ENDED 31 DECEMBER 2023, 2024 AND 2025

		Year ended 31 December		
		2023	**2024**	**2025**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	7	455,135	495,957	530,752
Cost of sales		(225,049)	(300,810)	(304,753)
Gross profit		**230,086**	**195,147**	**225,999**
Other income, gains and losses, net	8	315	(6,104)	8,524
Selling and distribution costs		(106,875)	(71,161)	(77,627)
Administrative expenses		(65,426)	(63,720)	(65,834)
Reversal of (impairment loss) recognised, net	9	(8,191)	(4,414)	(2,497)
Research and development expenses		(24,542)	(26,580)	(29,104)
Finance cost	10	(25,522)	(34,909)	(32,939)
Profit (loss) before income tax	11	**(155)**	**(11,741)**	**26,522**
Income tax (expense) credit	12	(491)	470	(1,707)
Profit (loss) and total comprehensive income (expense) for the year		**(646)**	**(11,271)**	**24,815**
Profit (loss) and total comprehensive income/ (expense) for the year attributable to:				
– Owners of the Target Company		(19,494)	(28,355)	2,224
– Non-controlling interests		18,848	17,084	22,591
		(646)	**(11,271)**	**24,815**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023, 2024 AND 2025

		As at 31 December		
		2023	**2024**	**2025**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	16	235,437	241,145	250,226
Right-of-use assets	17	12,301	12,022	11,744
Intangible assets	18	155,358	124,814	96,011
Goodwill	19	473,857	473,857	473,857
Deferred tax assets	20	3,375	3,985	4,797
		880,328	855,823	836,635
Current assets				
Inventories	21	205,632	215,892	157,690
Trade and other receivables	22	71,690	56,503	138,274
Amounts due from fellow subsidiaries	23	42,218	266	7,019
Restricted bank balance	24	–	–	1,610
Bank balances and cash	24	70,244	157,774	25,387
		389,784	430,435	329,980
Current liabilities				
Trade and other payables	25	113,557	197,388	127,320
Amounts due to fellow subsidiaries	23	224,197	179,466	179,508
Provision for financial guarantee contracts liabilities	26	125,632	–	593,547
Provision for litigations	27	1,338	139,492	131,394
Taxation payable		1,398	1,122	–
Bank borrowings	28	229,300	421,300	50,000
		695,422	938,768	1,081,769
Net current liabilities		**(305,638)**	**(508,333)**	**(751,789)**
Total assets less current liabilities		**574,690**	**347,490**	**84,846**

		As at 31 December		
		2023	2024	2025
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities				
Trade and other payables	25	121,485	121,485	197,970
Bank borrowings	28	196,000	–	301,300
Deferred tax liabilities	20	44,032	36,199	28,800
		361,517	157,684	528,070
Net assets		**213,173**	**189,806**	**(443,224)**
Capital and reserves				
Share capital	29	–*	–*	–*
Reserves		(6,554)	(34,909)	(626,232)
Deficit attributable to owners of the Target Company		(6,554)	(34,909)	(626,232)
Non-controlling interests		219,727	224,715	183,008
Total (deficit of) equity		**213,173**	**189,806**	**(443,224)**

* *Less than RMB1,000*

STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

AS AT 31 DECEMBER 2023, 2024 AND 2025

		As at 31 December		
		2023	**2024**	**2025**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current asset				
Interests in the subsidiary		–*	–*	–*
Current assets				
Amount due from a fellow subsidiary		–*	–*	–*
Current liability				
Amount due to the subsidiary		–*	–*	–*
Net current assets		–*	–*	–*
Total assets less current liabilities/Net assets		–*	–*	–*
Capital and reserves				
Share capital	29	–*	–*	–*
Reserves		–	–	–
Total equity		–*	–*	–*

* *Less than RMB1,000*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE YEARS ENDED 31 DECEMBER 2023, 2024 AND 2025

	Attributable to the owner of the Target Company						
	Share capital *RMB'000*	**Other reserves** *RMB'000 (note (i) below)*	**Capital reserve** *RMB'000 (note (ii) below)*	**Retained earnings** *RMB'000*	**Subtotal** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
As at 1 January 2023	–	(90,000)	–	102,314	12,314	247,281	259,595
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	(19,494)	(19,494)	18,848	(646)
Dividend paid to non-controlling interest	–	–	–	–	–	(45,776)	(45,776)
Changes in ownership interests in subsidiaries without losing control	–	–	626	–	626	(626)	–
As at 31 December 2023 and 1 January 2024	–	(90,000)	626	82,820	(6,554)	219,727	213,173
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	(28,355)	(28,355)	17,084	(11,271)
Dividend paid to non-controlling interest	–	–	–	–	–	(12,096)	(12,096)
As at 31 December 2024 and 1 January 2025	–	(90,000)	626	54,465	(34,909)	224,715	189,806
Profit and total comprehensive income for the year	–	–	–	2,224	2,224	22,591	24,815
Dividend paid to non-controlling interest	–	–	–	–	–	(64,298)	(64,298)
Provision of financial guarantee contract liabilities *(Note 26(b))*	–	(593,547)	–	–	(593,547)	–	(593,547)
As at 31 December 2025	–	(683,547)	626	56,689	(626,232)	183,008	(443,224)

* The deficiency of reserves account amounted to approximately RMB6,554,000, RMB34,909,000 and RMB626,232,000 in the consolidated statement of financial position as at 31 December 2023, 2024 and 2025, respectively.

Notes:

(i) Other reserves

Other reserves comprise:

(a) As described in Note 26(a) to the Historical Financial Information, in November 2020, the Target Group (as guarantor) provided a financial guarantee on behalf of Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司, "**Kaisa Shenzhen**"), a fellow subsidiary of the Target Company (as borrower) for a loan amounted to RMB500,000,000 granted by Shenzhen Ruihong Real Estate Development Co., Ltd. (深圳市睿鴻置業發展有限公司, "**Ruihong Real Estate**", a third party established in the PRC with limited liability) (as lender) (the "**Kaisa Shenzhen Financial Guarantee Contract**"). The management of the Target Company considers the Target Group might be held liable on this guaranteed borrowing. The Kaisa Shenzhen Financial Guarantee Contract are measured initially at their fair values in accordance with the accounting policy of the Target Company as set out in Note 4 to the Historical Financial Information. With reference to a valuation conducted by an independent professional valuer the fair value of the financial guarantee contract liabilities regarding Kaisa Shenzhen Financial Guarantee Contract amounted to approximately RMB90,000,000 was recognised as owners' transaction with the Controlling Shareholders (as defined and described in Note 1 to the Historical Financial Information below) and accordingly, the amount was charged to the "Other reserves" of the Target Group in prior years.

(b) As described in Note 26(b) to the Historical Financial Information, on 29 September 2025, the Target Group (as guarantor) provided a financial guarantee on behalf of Shenzhen City Jingjia Urban Renewal Co., Ltd. (深圳市景佳城市更新有限公司, "**Shenzhen City Jingjia**"), a fellow subsidiary of the Target Company (as borrower) relating to a loan amounted to RMB1,600,000,000 granted by China Minsheng Banking Corporation Limited ("**Minsheng Bank**") (as lender) (the "**Shenzhen City Jingjia Financial Guarantee Contract**"). The management of the Target Company considers the Target Group might be held liable on this guaranteed borrowing. The Shenzhen City Jingjia Financial Guarantee Contract are measured initially at their fair values in accordance with the accounting policy of the Target Company as set out in Note 4 to the Historical Financial Information. With reference to a valuation conducted by an independent professional valuer, the fair value of the financial guarantee contract liabilities regarding Shenzhen City Jingjia Financial Guarantee Contract amounted to approximately RMB593,547,000 was recognised as owners' transaction with the Controlling Shareholders and accordingly, the amount was charged to the "Other reserves" of the Target Group in the year 2025.

(ii) Capital reserve

As described in Note 33(a) to the Historical Financial Information, during the year ended 31 December 2023, a subsidiary of the Target Company Dongguan Chenghe (as described and defined in note 1 to the Historical Financial Information) issued an additional of share capital to the non-controlling interest shareholders and thus, the Target Company's equity interest in Dongguan Chenghe was decreased from 100% to 99% and accordingly, changes in ownership interests in subsidiaries without losing control amount to approximately RMB626,000 which was credited to the "Capital reserve" of the Target Group in the year 2023.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE YEARS ENDED 31 DECEMBER 2023, 2024 AND 2025

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash flow from operating activities			
Profit (loss) before income tax	(155)	(11,741)	26,522
Adjustment for:			
Amortisation of intangible assets	34,025	30,544	28,803
Depreciation of property, plant and equipment	7,284	7,924	8,285
Depreciation of right-of-use assets	278	279	278
Interest income	(1,817)	(1,391)	(1,403)
Finance cost	25,522	34,909	32,939
Loss (gain) on disposal of plant and equipment	64	516	(605)
(Reversal of) impairment loss recognised, net	8,191	4,414	2,497
(Reversal of) provision on litigations	1,338	10,549	(2,018)
Operating profit before movements in working capital	74,730	76,003	95,298
Changes in inventories	20,363	(10,260)	58,202
Changes in trade and other receivables	3,575	14,084	(84,268)
Changes in trade and other payables	(40,743)	49,035	(26,522)
Cash generated from operating activities	57,925	128,862	42,710
Income tax paid	(13,628)	(8,249)	(11,040)
Net cash generated from operating activities	**44,297**	**120,613**	**31,670**
Investing activities			
Purchases of property, plant and equipment	(28,048)	(14,155)	(17,602)
Proceeds from disposal of property, plant and equipment	–	7	841
Changes in amounts due from fellow subsidiaries	(42,216)	41,952	(6,753)
Interest received	1,817	1,391	1,403
Net cash (used in) generated from investing activities	**(68,447)**	**29,195**	**(22,111)**

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financing activities			
Repayment of bank and other borrowings	(4,000)	(4,000)	(70,000)
Repayment of litigations	–	(1,338)	(6,080)
Changes in amounts due to fellow subsidiaries	1,141	(44,731)	42
Interest paid	(16,534)	(113)	–
Dividend paid to non-controlling interest of subsidiaries	(45,776)	(12,096)	(64,298)
Net cash used in financing activities	**(65,169)**	**(62,278)**	**(140,336)**
Net (decrease) increase in cash and cash equivalents	**(89,319)**	**87,530**	**(130,777)**
Cash and cash equivalents at the beginning of the year	159,563	70,244	157,774
Cash and cash equivalents at 31 December, representing by bank balance and cash	70,244	157,774	26,997

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Embrace Blossom Limited (the "**Target Company**") is a company incorporated in the British Virgin Islands with limited liability. The address of its registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, the British Virgin Islands and principal place of business of the Target Company is Room 3306, Kerry Center, Ren Min South Road, Luohu, Shenzhen, Guangdong, the PRC.

In the opinion of the directors of the Target Company, its immediately holding company is Profit Vigorous Developments Limited, a company incorporated in the British Virgin Islands with limited liability which is an indirect wholly-owned subsidiary of Kaisa Group Holdings Ltd. ("**Kaisa Group**", the "**Controlling Shareholder**")). Kaisa Group is a company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Kaisa Health Group Holdings Limited ("**Kaisa Health**" or the "**Company**"), a fellow subsidiary of the Target Company, is a company incorporated in Bermuda as an exempted company with limited liability and its shares are also listed on Stock Exchange.

Kaisa Group is the ultimate holding company both of Kaisa Health and the Target Company.

The Target Company holds the entire issued share capital of Sino Globe Limited ("**Sino Globe**", a company incorporated in Hong Kong with limited liability), which holds a 99% equity interest of Chenghe Industrial Development (Dongguan) Co., Ltd. (誠合實業發展(東莞)有限公司, "**Dongguan Chenghe**", a company established in the PRC with limited liability), which in turn directly holds the entire issued share capital of Kaisa Healthcare Investment (Shenzhen) Co., Ltd. (佳兆業醫療投資(深圳)有限公司, "**Kaisa Healthcare Investment**", a company established in the PRC with limited liability); and the Target Company, Sino Globe, Dongguan Chenghe and Kaisa Healthcare Investment are collectively referred to as the "**Target Holding Company**"), which in turn directly holds a 54.84% equity interest of Qinghai Pharmaceutical Co. Ltd. (青海製藥有限公司, the "**Project Company**" or "**Qinghai Pharmaceutical**", a company established in the PRC with limited liability; and the Project Company and its subsidiaries are collectively referred to as the "**Project Group**"; while the Target Company and its subsidiaries, including the Project Group and the Target Holding Companies are collectively referred as the "**Target Group**"). The Project Company is accounted for as an indirect subsidiary of the Target Company. Each of the Target Holding Companies is an investment holding company with no substantive business; and the principal assets held by the Target Group are the Project Group.

The Target Group is mainly engaged in the research and development, manufacturing, and sale of pharmaceutical products (including anaesthetic products) in the PRC (the "**Target Business**"). The Project Group's principal products include the active pharmaceutical ingredients and products of anaesthetic antitussive.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is also the functional currency of the Target Company and its subsidiaries.

The English names of all the companies established in the PRC presented in this Historical Financial Information represents the best efforts made by the management of the Target Company for the translation of the Chinese names of these companies to English names as they do not have official English names.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 to the Historical Financial Information which conform with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The Target Company did not prepared statutory financial statements for the year ended 31 December 2023, 2024 and 2025.

Going concern basis

The directors of the Target Company have, at the time of approving the Historical Financial Information for the current year, a reasonable expectation that the Target Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the Historical Financial Information.

As at December 31, 2025, the Target Group current liabilities exceeded its current assets by approximately RMB751,789,000 and total deficit of equity of approximately RMB443,224,000. In addition, as at 31 December 2025, the Target Group's short-term bank borrowings amount to approximately RMB50,000,000 and its bank balances and cash amounted to approximately RMB25,387,000 only. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Target Group's ability to continue as going concern. Having considered the letters of support (the "**Letter of Support**") from Kaisa Group, its ultimate holding company and cash flow projections prepared by the management of the Target Company for the twelve months ending 31 December 2026, the board of directors of the Target Company are satisfied that the Historical Financial Information has been prepared on the assumption that the Target Group will continue as a going concern. The board of directors of the Target Company has given careful consideration to the future liquidity and performance of the Target Group and its available sources of finance and the Letter of Financial Support in assessing whether the Target Group will have sufficient financial resources to continue as a going concern.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS ACCOUNTING STANDARDS")

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has consistently applied the accounting policies which conform with HKFRS Accounting Standards issued by HKICPA, which have come into effect during the Relevant Periods throughout all the years presented.

New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Target Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendment to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendment to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2026.
[3] Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the application of all amendments to HKFRS Accounting Standards is not expected to have material impact on the Target Group's Historical Financial Information in the future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements* ("**HKFRS 18**"), which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements* ("**HKAS 1**"). This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures (MPMs) in the notes to the Historical Financial Information and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (the title of which will be changed to Basis of Preparation of Financial Statements upon effective of HKFRS 18) and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Target Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Target Group.

4. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION AND MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards as issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equal the transaction price.

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Material accounting policy information

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Target Company and entities controlled by the Target Company and its subsidiaries. Control is achieved when the Target Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Target Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Target Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Target Group's interests in existing subsidiaries

Changes in the Target Group's interests in subsidiaries that do not result in the Target Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Target Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Target Group and the non-controlling interests according to the Target Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Target Company.

When the Target Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Target Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Target Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

The Target Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Target Group acquires a group of assets and liabilities that do not constitute a business, the Target Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Target Group, liabilities incurred by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the "**Conceptual Framework**") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Target Group applies HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Target Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16 *Leases*) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Target Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Target Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Target Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 *Financial Instruments* would be accounted for on the same basis as would be required if the Target Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Target Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Target Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in annual period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that annual period. If the recoverable amount (being the higher of fair value less costs of disposal and value in use) of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Target Group disposes of an operation within the cash-generating unit (or a cash generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Revenue from contracts with customers

The Target Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;
- the Target Group's performance creates or enhances an asset that the customer controls as the Target Group performs; or
- the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Target Group's right to consideration in exchange for goods or services that the Target Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 *Financial Instruments*. In contrast, a receivable represents the Target Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Target Group's obligation to transfer goods or services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Target Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Target Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Target Group is an agent).

The Target Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Target Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Target Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Target Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Further information about the Target Group's accounting policies relating to revenue from contracts with customers is provided in note 7 to the Historical Financial Information.

Leases

Definition of a lease

The Target Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 *Leases* at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Target Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Target Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Short-term leases

The Target Group applies the short-term lease recognition exemption to leases of rental premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis unless or another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets

The cost of right-of-use assets includes:

- the amounts of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Target Group; and
- an estimate of costs to be incurred by the Target Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Target Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Target Group presents right-of-use assets that do not meet the definition of investment property or inventory, as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property and inventory are presented within "investment properties" and "properties under development" and "completed properties held for sale" respectively. The prepaid lease payments for leasehold land are presented as "Land use rights" under non-current assets as described below.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Foreign currencies

Items included in the financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies rates are recognised in profit or loss. All foreign exchange gains and losses are presented in profit or loss on a net basis within "Other income, gains and losses, net".

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as following:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates of the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken into equity owners' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. For properties under development for which revenue is recognised over time, the Target Group ceases to capitalise borrowing costs as soon as the properties are ready for the Target Group's intended sale.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Target Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Target Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Target Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "Other income, gains and losses, net".

Employee benefits

Retirement benefit costs

Employees in the Target Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Target Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Target Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Bonus plans

The expected cost of bonus plan is recognised as a liability when the Target Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Target Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS Accounting Standards require or permit the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Target Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS Accounting Standards requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit (loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Target Group recognises the right-of-use assets and the related lease liabilities, the Target Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Target Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. The Target Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Target Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Land use rights

The Target Group makes upfront payments to obtain land use rights (which meet the definition of right-of-use assets). The upfront payments of the land use rights are recorded as assets. The depreciation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment loss.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets, other than goodwill

At the end of the reporting period, the Target Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives and investments to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Before the Target Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15 *Revenue from Contracts with Customers*, the Target Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Target Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Target Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Target Group must incur to make the sale, including cost to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Target Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Target Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Target Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, deposits and other receivables, amounts due form fellow subsidiaries, bank balances and cash and restricted bank balances) which are subject to impairment assessment under HKFRS 9 *Financial Instruments*. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Target Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Target Group's debtors operate, obtained from economic expert reports, as well as consideration of various external sources of actual and forecast economic information that relate to the Target Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Target Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Target Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collateral held by the Target Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Target Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward-looking information, including time value of money where appropriate, that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Target Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other income, other gains or losses, net" line item as part of the "exchange gains and losses, net".

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables, amounts due to fellow subsidiaries, provision for financial guarantees and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9 *Financial Instruments*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Other income, other gains and losses, net" line item in profit or loss as part of "Exchange gains and losses, net" for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

Derecognition/modification of financial liabilities

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Target Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Trade and other receivables

A receivable is recognised when the Target Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Target Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The description of the Target Group's impairment policies is set out above.

Cash and cash equivalents

Bank balances and cash presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Target Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and if that person:

  (i) has control or joint control over the Target Group;

  (ii) has significant influence over the Target Group; or

  (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group.

(b) the party is an entity and if any of the following conditions applies:

  (i) the entity and the Target Group are members of the same group.

  (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) the entity and the Target Group are joint ventures of the same third party.

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group.

  (vi) the entity is controlled or jointly controlled by a person identified in (a).

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and included:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in Note 4 to the Historical Financial Information, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

Going concern consideration

As explained in Note 2 to the Historical Financial Information, the Historical Financial Information have been prepared on a going concern basis and have not included any adjustments that would be required should the Target Group fail to continue as a going concern since the directors are satisfied that the liquidity of the Target Group can be maintained in the coming year after taking into the plans and measures as detailed in Note 2 to the Historical Financial Information. The directors of the Target Company also believe that the Target Group will have sufficient cash resources to satisfy its future working capital and other financing requirements for at least next twelve months from 31 December 2025.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

The Target Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. Other intangible assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances, including, among others, the current economic environments impact on the operations of the Target Group, indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Provision of ECL for trade receivables

Credit-impaired trade receivables are assessed for ECL individually. In addition, the Target Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Target Group's default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the observed default rates are reassessed and changes in the forward-looking information including forecast of gross domestic product ratio, forecast of consumer price index and other relevant factors are considered. The provision of ECL is sensitive to changes in estimates.

Net realisable value of inventories

The management of the Target Group reviews the inventory ageing analysis periodically and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for sale. The Target Group carries out the inventory review on a product-by-product basis and makes allowance at the end of each reporting period by reference to management's estimation of the net realisable value based on the latest market prices and current market conditions.

Financial guarantee contract

As described in Notes 26 and 27 to the Historical Financial Information, the Target Group had provided financial guarantees on behalf its fellow subsidiaries, Kaisa Shenzhen (i.e. the "Kaisa Shenzhen Financial Guarantee Contract") and Shenzhen City Jingjia (i.e. the "Shenzhen City Jingjia Financial Guarantee Contract") for their borrowings which were default at that moment, the management of the Target Company considers the Target Group might be held liable on these guaranteed borrowings.

The financial guarantee contract liabilities regarding the Kaisa Shenzhen Financial Guarantee Contract and Shenzhen City Jingjia Financial Guarantee Contract are measured initially at their fair values and are subsequently measured at the higher of: (i) the amount of the loss allowance determined in accordance with HKFRS 9 *Financial Instruments*; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period in accordance with the HKFRS 9 *Financial Instruments*.

Under the HKFRS 9 *Financial Instruments*, the Target Group makes allowances on financial guarantee contract liabilities subjects to base on assumptions about risk of default and expected loss rates. The Target Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the past history of Kaisa Shenzhen and Shenzhen City Jingjia, existing market conditions as well as forward looking estimates at the end of each reporting period.

When the actual future cash flows are different from expected, such difference will impact the allowances on financial guarantee contract liabilities and other items within the scope of ECL of HKFRS 9 *Financial Instruments* and credit losses in the periods in which such estimate has been changed.

Details of the Target Group's obligations in relation to the Kaisa Shenzhen Financial Guarantee Contract and Shenzhen City Jingjia Financial Guarantee Contract are set out in Notes 26 and 27 to the Historical Financial Information.

6. SEGMENT INFORMATION

For the purpose of resource allocation and assessment of segment performance, the chief operating decision maker ("**CODM**"), which is also identified as the chief executive officer of the Target Group, reviews the overall results and financial position of the Target Group as a whole which are prepared based on the same accounting policies as set out in Note 4 to the Historical Financial Information. Accordingly, the Target Group has only one reportable segment.

Geographical information

The Target Group's operations are located in PRC and thus, all of the Target Group's revenues are derived from external customers located in the PRC during the Relevant Periods.

As at 31 December 2023, 2024 and 2025 all of the Target Group's non-current assets were located in the PRC.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the Target Group's total revenue are as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	N/A*	89,220	86,962
Customer B	66,090	69,080	71,288
Customer C	52,212	65,312	N/A*

* The corresponding revenue did not contribute 10% of the total revenue of the Target Group.

7. REVENUE

The Target Group is mainly engaged in the research and development, manufacturing, and sales of pharmaceutical products (including anaesthetic products) in the PRC.

(a) Disaggregation of revenue from contracts with customers

(i) The Target Group derives revenue from the transfer of goods and services by categories of major product lines, business and services and by timing of revenue recognition

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15			
By categories of major products lines, business and services			
Manufacturing and trading of pharmaceutical products	455,135	495,957	530,752
By timing of revenue recognition:			
A point in time	455,135	495,957	530,752

(ii) The Target Group derives revenue from the transfer of goods and services by geographical markets

The Target Group's revenue geographical information above is based on the delivery destinations of the Target Group's products and services requested by the customers and details of which are set out in Note 6 to the Historical Financial Information.

(b) Contract balances

	As at 1 January	Year ended 31 December		
	2023	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	73,689	76,041	43,151	111,625
Less: Allowances	(14,527)	(8,787)	(9,959)	(12,462)
	59,162	67,254	33,192	99,163

Details of the Target Group's trade receivables are set out in Note 22 to the Historical Financial Information.

(c) Performance obligations for contracts with customers and revenue and other income recognition policies

The Target Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Target Group's activities.

The Target Group's revenue is measured based on the consideration specified in a contract with a customer, less discounts, returns and value added tax or other sales taxes.

The Target Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Target Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Target Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

The Target Group's performance obligations for contracts with customers and revenue and other income recognition policies are as follows:

Revenue from contracts with customers

Revenue from manufacturing and trading of pharmaceutical products

Revenue from manufacturing and trading of pharmaceutical products generally includes only one performance obligation. The Target Group has concluded that revenue from manufacturing of and trading of goods is recognised at the point in time when control of the products is transferred to the customer, generally when the products are delivered to and the risks of obsolescence and loss have been transferred to customer.

The Target Group enters into sales contracts with customers for each transaction. Revenue from the manufacturing of and trading of goods is recognised based on the price specified in the contract when the goods are delivered and titles have passed and services are provided. The Target Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. Delivery occurs when the products have been shipped to the specific location in accordance with the contracts with the customers.

No significant financing component is deemed present as the sales are made with a credit term ranging from 30 days to 180 days to its customers.

Other income

(i) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(ii) Government grants

Government grants that compensate the Target Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same period in which the expenses are incurred.

Further information about the Target Group's accounting policies relating to revenue from contracts with customers is provided in Note 4 to the Historical Financial Information.

(d) Translation price allocated to remaining performance obligation

The Target Group has applied practical expedient in paragraph 121 of HKFRS 15 *Revenue from Contracts with Customers*, to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date due to the majority of the Target Company's revenue contracts are short-term contracts and have a duration of less than one year, the practical expedient for contracts with durations of one year or less is applied and therefore the effect of the time value of money is not considered.

8. OTHER INCOME, GAINS AND LOSSES, NET

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Interest income	1,817	1,391	1,403
Unconditional government grants	927	5,568	4,441
Loss on disposal of property, plant and equipment	(64)	(516)	605
Provision (reversal of position) recognised for litigation, net *(see note 27)*	(1,338)	(10,549)	2,018
Others	(1,027)	(1,998)	57
	315	(6,104)	8,524

The government grants were mainly incentives provided by local government authorities in the PRC, including various forms of government financial incentives and preferential tax treatments. There were no unfulfilled conditions or contingencies relating to these government grants at the end of each reporting period.

9. REVERSAL OF (IMPAIRMENT LOSSES) RECOGNISED, NET

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Provision for (reversal of) impairment loss recognised, net:			
Financial assets regarding:			
– Trade receivables	(5,740)	1,172	2,503
– Other receivables	71	(69)	(6)
Financial liabilities in respect of financial guarantee contract liabilities recognised regarding:			
– Kaisa Shenzhen *(see note 26)*	13,860	3,311	–
	8,191	4,414	2,497

10. FINANCE COST

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank borrowings	25,522	34,909	32,939

11. PROFIT (LOSS) BEFORE INCOME TAX

Profit (loss) before income tax has been arrived at after charging:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Staff cost, including directors' remuneration			
– Staff salaries and allowances	46,808	52,532	53,808
– Performance bonus	2,758	8,947	10,764
– Contributions to defined contribution retirement schemes	12,550	14,641	16,007
	62,116	76,120	80,579
Depreciation and amortisation on:			
– Intangible assets	34,025	30,544	28,803
– Property, plant and equipment	7,284	7,924	8,285
– Right-of-use assets	278	279	278
	41,587	38,747	37,366
Others:			
Auditor's remuneration	189	434	377
Cost of sales	225,049	300,810	304,753
Short-term leases with lease term less than 12 months	1,702	2,072	1,475
Research and development expenses	24,542	26,580	29,104

12. INCOME TAX EXPENSE (CREDIT)

The income tax expense (credit) of the Target Group during the year is analysed as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current tax – PRC Enterprise Income Tax	8,733	7,973	9,918
Deferred tax expense *(see note 20)*	(8,242)	(8,443)	(8,211)
	491	(470)	1,707

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the Relevant Periods.

PRC

Under the PRC Enterprise Income Tax Law (the "**EIT Law**"), the standard enterprise income tax rate for PRC operating entities is 25%.

The EIT Law and its implementation rules permit certain High and New Technologies Enterprises ("**HNTEs**") to enjoy a reduced 15% enterprise income tax rate subject to these HNTEs meeting certain qualification criteria. A subsidiary of the Target Group was accredited as an HNTE in the PRC with effect from 26 December 2024 and was registered with the local tax authority to be eligible to a concessionary tax rate of 15% for three years from 2024 to 2026.

Certain enterprises can benefit from a preferential tax rate of 15% under the EIT Law if they are located in applicable PRC regions as specified in the catalog of encouraged industries in western regions ("**Western Regions Catalog**"), subject to certain general restrictions described in the EIT Law and the related regulations. During the Relevant Periods, several entities of the Target Group are qualified as enterprises within the Western Regions Catalog and enjoyed 15% preferential income tax rate.

The income tax expense (credit) can be reconciled to the profit (loss) before income tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Profit (loss) before income tax	(155)	(11,741)	26,522
Tax charge at applicable tax rate at 15%	(23)	(1,761)	3,978
Notional tax at the rate applicable to losses in the tax jurisdictions concerned	(7,699)	(7,997)	(5,535)
Tax effect of income not taxable for tax purpose	(1)	(31,418)	(890)
Tax effect of expenses not deductible for tax purpose	11,132	44,027	8,176
Additional deduction for research and development expenses	(2,918)	(3,321)	(4,022)
Income tax expense (credit) for the year	491	(470)	1,707

13. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Target Company during the Relevant Periods, nor has any dividend been proposed since the end of the reporting period.

14. EARNINGS (LOSS) PER SHARE

No information related to earnings (loss) per share is presented in the Historical Financial Information as such information is not meaningful for the purpose of the accountant's report.

15. DIRECTORS', CHEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

No emoluments paid or payable to the executive directors of the Target Company for the three years ended 31 December 2023, 2024 and 2025.

(b) Employees' emoluments

Five highest paid employees are neither a director nor chief executive of the Target Group for the three years ended 31 December 2023, 2024 and 2025, the details of the remuneration are as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Staff salaries and allowances	8,941	7,440	7,610
Performance bonus	108	449	1,460
Contributions to defined contribution retirement schemes	525	513	588
	9,574	8,402	9,658

Their emoluments are within the following bands:

	Year ended 31 December		
	2023	**2024**	**2025**
	Number of employee		
Nil to HK$1,000,000	–	2	–
HK$1,000,001 to HK$1,500,000	1	1	3
HK$1,500,001 to HK$2,000,000	1	–	–
HK$2,000,001 to HK$2,500,000	2	1	1
HK$2,500,001 to HK$3,000,000	–	–	–
HK$3,000,001 to HK$3,500,000	1	–	–
HK$3,500,001 to HK$4,000,000	–	1	–
HK$4,000,001 to HK$4,500,000	–	–	1

During the Relevant Periods, no emoluments were paid by the Target Group to the five highest paid individuals as an inducement to join or upon joining the Target Group or as compensation for loss of office.

16. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Buildings and leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At cost:						
As at 1 January 2023	139,033	3,811	2,658	7,808	156,961	310,271
Additions	8,944	1,043	11	787	17,263	28,048
Disposal and written-off	(461)	(15)	–	–	–	(476)
As at 31 December 2023 and 1 January 2024	147,516	4,839	2,669	8,595	174,224	337,843
Additions	6,152	549	142	–	7,312	14,155
Disposal and written-off	(4,122)	(36)	(1,056)	–	–	(5,214)
As at 31 December 2024 and 1 January 2025	149,546	5,352	1,755	8,595	181,536	346,784
Additions	13,414	442	368	697	2,681	17,602
Disposal and written-off	(1,366)	(24)	(53)	(122)	–	(1,565)
As at 31 December 2025	161,594	5,770	2,070	9,170	184,217	362,821
Accumulated depreciation and impairment:						
As at 1 January 2023	88,752	2,725	1,809	2,248	–	95,534
Charges for the year	5,199	602	262	1,221	–	7,284
Elimination of disposal and written-off	(397)	(15)	–	–	–	(412)
As at 31 December 2023 and 1 January 2024	93,554	3,312	2,071	3,469	–	102,406
Charges for the year	5,830	763	203	1,128	–	7,924
Elimination of disposal and written-off	(3,632)	(35)	(1,024)	–	–	(4,691)
As at 31 December 2024 and 1 January 2025	95,752	4,040	1,250	4,597	–	105,639
Charges for the year	6,222	577	250	1,236	–	8,285
Elimination of disposal and written-off	(1,259)	(19)	(51)	–	–	(1,329)
As at 31 December 2025	100,715	4,598	1,449	5,833	–	112,595
Net carrying amount:						
As at 31 December 2025	60,879	1,172	621	3,337	184,217	250,226
As at 31 December 2024	53,794	1,312	505	3,998	181,536	241,145
As at 31 December 2023	53,962	1,527	598	5,126	174,224	235,437

The above items of property, plant and equipment, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis on the following bases:

Plant and machinery	20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Buildings leasehold improvements	Over the remaining unexpired terms of the leases or 5 years, whichever is shorter

The directors of the Target Company are of the opinion that the Target Group had not identified any impairment indicators during the Relevant Periods.

17. RIGHT-OF-USE ASSETS

	Land use right *RMB'000*
At cost:	
As at 1 January 2023, 31 December 2023, 31 December 2024 and 31 December 2025	15,560
Accumulated depreciation:	
As at 1 January 2023	2,981
Charges for the year	278
As at 31 December 2023 and 1 January 2024	3,259
Charges for the year	279
As at 31 December 2024 and 1 January 2025	3,538
Charges for the year	278
As at 31 December 2025	3,816
Net carrying amount:	
As at 31 December 2025	11,744
As at 31 December 2024	12,022
As at 31 December 2023	12,301

	Total *RMB'000*
For the year ended 31 December 2023	
Expense relating to short-term leases	1,702
Total cash outflow for leases	1,702
For the year ended 31 December 2024	
Expense relating to short-term leases	2,072
Total cash outflow for leases	2,072
For the year ended 31 December 2025	
Expense relating to short-term leases	1,475
Total cash outflow for leases	1,475

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
In the PRC, held under			
– Lease of between 10-50 years	12,301	12,022	11,744

Land use rights comprise cost of acquiring rights to use certain lands, which are principally located in the PRC. The prepaid lease payments for the land use rights meet the definition of right-of-use assets in accordance with HKFRS 16 *Leases*.

The director of the Target Company are of the opinion that the Target Group had not identified any impairment indicators during the Relevant Periods.

18. INTANGIBLE ASSETS

	Trademarks and patent	Customer relationship	Total
	RMB'000	*RMB'000*	*RMB'000*
At cost:			
As at 1 January 2023, 31 December 2023, 31 December 2024 and 31 December 2025	288,032	26,112	314,144
Accumulated depreciation:			
As at 1 January 2023	105,612	19,149	124,761
Charges for the year	28,803	5,222	34,025
As at 31 December 2023 and 1 January 2024	134,415	24,371	158,786
Charges for the year	28,803	1,741	30,544
As at 31 December 2024 and 1 January 2025	163,218	26,112	189,330
Charges for the year	28,803	–	28,803
As at 31 December 2025	192,021	26,112	218,133
Net carrying amount:			
As at 31 December 2025	96,011	–	96,011
As at 31 December 2024	124,814	–	124,814
As at 31 December 2023	153,617	1,741	155,358

The Target Group's intangible assets have finite useful lives. The amortisation of the Target Group's intangible assets is recognised over the useful life of the intangible assets as an expense on a straight-line basis on the following bases:

Trademark and patents	10 years
Customer relationship	5 years

The Target Group's trademarks and patent and customer relationship were mainly purchased as part of business combinations relating to the acquisition of the Target Business in prior years.

The directors of the Target Company are of the opinion that the Target Group had not identified any impairment indicators during the Relevant Periods.

19. GOODWILL

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cost			
As at 1 January and 31 December	473,857	473,857	473,857

The goodwill arose as part of business combinations in prior years regarding the acquisition of the Target Business in prior years and were determined at the respective acquisition dates, being the differences between the purchase considerations and the fair values of net identifiable assets of acquirees.

The carrying amounts of goodwill is allocated to the Target Group's cash-generating unit ("**CGU**") to the Target Business.

Impairment test for goodwill

The Target Group engages an independent professional qualified valuer to perform the impairment assessment of the Target Group's goodwill as at the end of each reporting date.

In determining the impairment assessments, the management of the Target Company is responsible to determine the appropriateness of valuation techniques and inputs for the impairment assessments. The management also works closely with the independent professional qualified valuer to establish the appropriate valuation techniques, key assumptions, inputs and data to the model.

For the purpose of impairment testing, the recoverable amounts for the cash generating unit were determined based on value-in-use calculations covering a detailed five-year budget plan followed by an extrapolation of expected cash flows at the growth rates stated below and the valuation conducted by an independent valuer and approved by the directors of the Target Company. The growth rates reflect the long-term average growth rates for the service lines of the cash generating unit.

The following table sets forth the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill as at 31 December 2023, 2024 and 2025 for the material segments:

	As at 31 December		
	2023	**2024**	**2025**
Average growth rate within the five-year period	15% per annum	15% per annum	15% per annum
Terminal growth rate	15% per annum	3% per annum	2% per annum
Pre-tax discount rate	14%	15%	14%

The management determines growth rate based on past performance of the CGU and their expectations for the market development. The terminal growth rate applied beyond the budget period is estimated based on industry forecast. The determination of pre-tax discount rates has taken into account using risk-free rate, the market returns and CGU-specific factors.

The key assumptions are annual growth rates, estimated future selling prices and direct costs which are estimated based on past practices and expectations of future changes in the market. The management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU.

The management of the Target Group determined that the recoverable amounts of the CGU are higher than their carrying amounts as at the end of each reporting date and thus, no impairment loss was recognised for the Relevant Periods.

20. DEFERRED TAX ASSETS (LIABILITIES)

The deferred tax assets (liabilities) recognised and movements during the Relevant Periods are as follows:

	Deferred tax assets – Temporary difference arising from impairment loss recognised for financial assets *RMB'000*	**Deferred tax liabilities – Amortised of intangible assets acquired in business combination** *RMB'000*
As at 1 January 2023	3,837	(52,736)
Charged to profit or loss for the year	(462)	8,704
As at 31 December 2023 and 1 January 2024	3,375	(44,032)
Charged to profit or loss for the year	610	7,833
As at 31 December 2024 and 1 January 2025	3,985	(36,199)
Charged to profit or loss for the year	812	7,399
As at 31 December 2025	4,797	(28,800)

As at 31 December 2023, 2024 and 2025, the Target Group did not have any material estimated unused tax losses available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses have not been agreed by the relevant authorities. The unrecognised tax losses with expiry dates for a period of five years under current tax legislation.

21. INVENTORIES

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	51,201	38,151	24,915
Working in progress	87,193	94,659	69,669
Finished goods	58,878	52,879	45,553
Goods in transit	8,360	30,203	17,553
	205,632	215,892	157,690

22. TRADE AND OTHER RECEIVABLES

		As at 31 December		
		2023	2024	2025
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	(a)	76,041	43,151	111,625
Less: Impairments		(8,787)	(9,959)	(12,462)
		67,254	33,192	99,163
Other receivables, prepayments and other deposits	(b)			
Other receivables		502	2,424	2,038
Prepayments		3,345	20,002	36,246
Other deposits		683	910	846
Other receivables, prepayments and deposits		4,530	23,336	39,130
Less: Impairments		(94)	(25)	(19)
		4,436	23,311	39,111
		71,690	56,503	138,274

(a) Trade receivables

The following is an aged analysis of trade receivables, net of ECL, presented based on invoice date (also approximates to revenue recognition date), net of ECL allowance, at the end of the Relevant Periods:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
0-90 days	40,956	18,484	68,978
91-180 days	10,165	11,018	14,557
181-365 days	13,767	–	11,936
Over 1 year	2,366	3,690	3,692
	67,254	33,192	99,163

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 to 180 days after issuance.

The movements in the impairment of trade receivables are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
As at 1 January	14,527	8,787	9,959
Impairment recognised during the year	–	1,172	2,503
Reversal of impairment during the year	(5,740)	–	–
As at 31 December	8,787	9,959	12,462

(b) Other receivables and other deposits

The movements in the impairment of other receivables and other deposits are as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables			
As at 1 January	23	94	25
Impairment recognised during the year	71	–	–
Reversal of impairment during the year	–	(69)	(6)
As at 31 December	94	25	19

23. AMOUNTS DUE FROM FELLOW SUBSIDIARIES AND AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

24. RESTRICTED BANK BALANCES AND BANK BALANCES AND CASH

The Target Group's restricted bank balances represent the cash at bank which were temporarily frozen for pending litigations.

The Target Group's restricted bank balances and bank balances and cash are mainly in RMB. RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The cash and cash equivalents, restricted cash and other balances are deposited with creditworthy banks and third parties with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

25. TRADE AND OTHER PAYABLES

		As at 31 December		
		2023	**2024**	**2025**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	(a)	32,776	42,924	16,531
Receipts in advance		18,769	60,039	36,279
Deferred income	(b)	121,485	121,485	121,485
Accrued interest on bank borrowings		8,988	43,785	76,485
Other payables and accruals		53,024	50,640	74,510
		235,042	318,873	325,290
Analysed as:				
Current		113,557	197,388	127,320
Non-current		121,485	121,485	197,970
		235,042	318,873	325,290

(a) Trade payables

The following is an aged analysis of trade payables, presented based on the invoice date as at the end of the Relevant Periods:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
0-90 days	10,692	30,182	16,242
91-180 days	2,296	5,166	61
Over 180 days	19,788	7,576	228
	32,776	42,924	16,531

(b) Deferred income

The amount represents the government grants received in respect of the construction of factory and development of new products and plant and equipment regarding the Target Group's new manufacturing facilities.

The amount are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets upon the completion of the construction of factory and development of new products and plant and equipment.

26. PROVISION FOR FINANCIAL GUARANTEE CONTRACTS LIABILITIES

The movements in the Target Group's financial guarantee contracts liabilities are as follows:

		As at 31 December		
		2023	**2024**	**2025**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Provision for financial guarantee contracts relating to Kaisa Shenzhen	(a)			
As at 1 January		111,772	125,632	–
Provision recognised during the year		13,860	3,311	–
Transfer to provision for litigations		–	(128,943)	–
As at 31 December		125,632	–	–
Shenzhen City Jingjia	(b)			
As at 1 January		–	–	–
Provision recognised during the year		–	–	593,547
As at 31 December		–	–	593,547
Total		125,632	–	593,547

Notes:

(a) Kaisa Shenzhen

In November 2020, the Target Group entered into an agreement (the "**Kaisa Shenzhen Agreement**") with Kaisa Shenzhen (as borrower) Ruihong Real Estate (as lender) and the Target Group (as guarantor) relating to a RMB500,000,000 short-term interest bearing loan from Ruihong Real Estate which was default at that moment (i.e. the "**Kaisa Shenzhen Financial Guarantee Contract**"). The management of the Target Company considers the Target Group might be held liable on this guaranteed borrowing.

The Kaisa Shenzhen Financial Guarantee Contract was measured initially at their fair values in accordance with the accounting policy of the Target Company as set out in Note 4 to the Historical Financial Information. With reference to a valuation conducted by an independent professional valuer, the fair value of the Kaisa Shenzhen Financial Guarantee Contract amounted to approximately RMB90,000,000 was recognised as owners' transaction with the Controlling Shareholders and accordingly, the amount was charged to the "Other reserves" of the Target Group's shareholders' equity in prior years.

Subsequently, the Kaisa Shenzhen Financial Guarantee Contract was measured at the higher of the amount of the loss allowance determined in accordance with HKFRS 9 *Financial Instruments*; and the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period, As at 1 January 2023, Kaisa Shenzhen Financial Guarantee Contract was amounted to approximately RMB111,772,000. Thus, during the year ended 31 December 2023, impairment losses amounted to approximately RMB13,860,000 was charged to profit or loss for the year.

In August 2023, the lender submitted a claim against the Target Group to settle the respectively loan in accordance with the Kaisa Shenzhen Agreement. In March 2024, the Primary People's Court of Futian District, Shenzhen City, Guangdong Province in the PRC issued a judgment of first instance and the Target Group was demanded to settle the loan together with accrued interest and penalties amounted to approximately RMB128,943,000 to the lender (the "**Judgement Order**"). Thus, an additional of impairment loss of approximately RMB3,311,000 was charged to profit or loss for the year ended 31 December 2024. The carrying amount of the provision for financial guarantee contracts amounted to approximately RMB128,943,000 was reclassified as "Provision for litigations" for the year ended 31 December 2024.

(b) Shenzhen City Jingjia

In September 2025, the Target Group entered into an agreement (the "**Shenzhen City Jingjia Agreement**") with Shenzhen City Jingjia (as borrower), Minsheng Bank (as lender) and the Target Group (as guarantor) relating to a RMB1,600,000,000 long-term interest bearing loan from Minsheng Bank which was default at that moment (the "**Shenzhen City Jingjia Financial Guarantee Contract**"). Under the terms of the agreement, the Target Group provided a guarantee for this loan up to a maximum amount of RMB600,000,000. The management of the Target Company considers the Target Group might be held liable on this guaranteed borrowing.

The Shenzhen City Jingjia Financial Guarantee Contract was measured initially at their fair values in accordance with the accounting policy of the Target Company as set out in Note 4 to the Historical Financial Information. With reference to a valuation conducted by an independent professional valuer, the fair value of the financial guarantee contract liabilities amounted to approximately RMB593,547,000 was recognised as owners' transaction with the Controlling Shareholders and accordingly, the amount was charged to the "Other reserves" of the Target Group's shareholders' equity during the year ended 31 December 2025.

Subsequently, the Shenzhen City Jingjia Financial Guarantee Contract was measured at the higher of the amount of the loss allowance determined in accordance with HKFRS 9 *Financial Instruments*; and the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period. With reference to the assessment conducted by the management of the Target Company, no addition of impairment loss was charged to profit or loss for the year ended 31 December 2025.

27. PROVISION FOR LITIGATIONS

The movements in the Target Group's provision for litigations are as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Provision for litigations			
As at 1 January	–	1,338	139,492
Transfer from provision for financial guarantee contracts	–	128,943	–
Provision recognised during the year, net	1,338	10,549	(2,018)
Settled during the year	–	(1,338)	(6,080)
As at 31 December	1,338	139,492	131,394

During the years ended 31 December 2023, 2024 and 2025, the Target Group has been named defendants in a number of lawsuits issued in the courts in the Mainland China arising in the ordinary course of business.

During the year ended 31 December 2023, taking into account of the legal advice from the Target Company's legal adviser, the Target Group recognised a provision amounted to approximately RMB1,338,000 relating to a claim from a third party. The claim was subsequently settled during the year ended 31 December 2024.

As described in Note 26(a), in March 2024, the Target Group received a judgment order issued by the Primary People's Court of Futian District, Shenzhen City, Guangdong Province in the PRC and thus, the "Provision for financial guarantee contracts liabilities" amounted to approximately RMB128,943,000 was reclassified from "Provision for litigations" during the year ended 31 December 2024.

During the year ended 31 December 2024, an addition of provision amounted to approximately RMB10,549,000 relating to the Kaisa Shenzhen Financial Guarantee Contract was charged to the profit or loss for the year ended 31 December 2024 due to the Target Group did not settle the outstanding amount during the year ended 31 December 2024.

Upon receiving of the Judgment Order in year 2024, the Ruihong Real Estate has submitted the objection to the Primary People's Court of Futian District, Shenzhen City, Guangdong Province in the PRC to appeal against the Judgment Order. In February 2025, a final court order was issued and the Judgment Order amount was reduced from RMB141,725,000 to RMB128,079,000 and thus, a reversal of provision amounted to approximately RMB2,018,000 was credited to the profit or loss for the year ended 31 December 2025.

Saved as described above and elsewhere in this Historical Financial Information, the Target Group does not include any pending lawsuits in the contingent liabilities disclosed if the probability of loss is remote or the claim amount is insignificant to the Target Group. The management of the Target Company are of the view that the final outcome of the litigations will not have a significant impact to the financial position and financial performance of the Target Company in the coming years.

28. BANK BORROWINGS

As at 31 December 2023, 2024 and 2025, the Target Group had bank borrowings as follows:

		As at 31 December		
		2023	**2024**	**2025**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Minsheng Bank Loan A	(a)	229,300	229,300	229,300
Minsheng Bank Loan B	(b)	196,000	192,000	122,000
		425,300	421,300	351,300
The carrying amounts of the borrowings, including interest payables, are repayable:				
– Within one year or on demand		229,300	421,300	50,000
– Within a period of more than one year but not exceeding two years		196,000	–	301,300
		425,300	421,300	351,300
Less: Amounts due within one year shown under current liabilities		(229,300)	(421,300)	(50,000)
Amounts shown under non-current liabilities		196,000	–	301,300

The bank borrowings consisted of two loan facilities.

(a) Minsheng Bank Loan A

The Minsheng Bank Loan A had an original principal amount of RMB348,000,000 and was secured by a financial guarantee provided by Kaisa Shenzhen, a fellow subsidiary of the Target Company, together with pledges over certain property projects owned by Guangzhou Jiayu Property Development Co., Ltd. (廣州市佳宇房地產開發有限公司), a fellow subsidiary of the Target Company and the shares of Qinghai Pharmaceutical, a subsidiary of the Target Company.

(b) Minsheng Bank Loan B

The Minsheng Bank Loan B had an original principal amount of RMB400,000,000 and was secured by a financial guarantee provided by Kaisa Shenzhen, as well as pledges over certain property projects owned by Shenzhen City Jingjia and the shares of Kaisa Healthcare Investment and Qinghai Pharmaceutical, both of which are subsidiaries of the Target Company.

During the year ended 31 December 2024, Minsheng Bank Loan A was in default due to overdue repayment of interest. As a result of such default, Minsheng Bank Loan B was also became crossed-defaulted and thus, Minsheng Bank Loan B was contractually repayable on demand.

During the year ended 31 December 2025, the Target Group entered into an execution settlement agreement (the "**Minsheng Bank Settlement Agreement**") with Minsheng Bank to resolve the defaults of Minsheng Bank Loan A and Minsheng Bank Loan B. Pursuant to Minsheng Bank Settlement Agreement, the repayment obligations of the Target Company are to be settled in a specified order, whereby the principal of Minsheng Bank Loan B shall be repaid first, followed by the principal of Minsheng Bank Loan A, then the interest incurred during the repayment plan period for Minsheng Bank Loan B, followed by the interest incurred during the repayment plan period for Minsheng Bank Loan A, and finally the settlement of interest, penalty interest and compound interest calculated in accordance with the judgment as at the effective date of the Minsheng Bank Settlement Agreement. The Minsheng Bank Settlement Agreement also extended the repayment term of the relevant borrowings to 20 December 2028.

Minsheng Bank Loan A and Minsheng Bank Loan A bear interest at 4.45% to 6.6% per year.

29. SHARE CAPITAL

	Number of share	Total *RMB*	Total *RMB'000*
Ordinary share of USD1 each:			
Issued and fully paid:			
As at 1 January 2023, 31 December 2023, December 2024 and 31 December 2025	1	7	–*

* *less than RMB1,000*

There were no movements in the authorised and issued share capital for the Relevant Periods.

30. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged in the Relevant Periods.

The capital structure of the Target Group consists of debt, which is the bank borrowings disclosed in Note 28 to the Historical Financial Information, and equity attributable to owners of the Target Company, comprising issued paid-in capital, capital reserve and retained profits.

The management of the Target Company reviews the capital structure on an annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the results of the review of the management of the Target Company, the Target Group will balance its overall capital structure through the payment of dividends, raising new share capital as well as the issue of new debt or the redemption of existing debt.

31. FINANCIAL INSTRUMENTS

31.1 Categories of financial instruments

	As at 31 December		
	2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
Financial assets			
Financial assets measured at amortised cost:			
Trade and other receivables	68,345	36,501	102,028
Amounts due from fellow subsidiaries	42,218	266	7,019
Restricted bank balance	–	–	1,610
Bank balances and cash	70,244	157,774	25,387
	180,807	194,541	136,044
Financial liabilities			
Financial liabilities measured at amortised cost:			
Trade and other payables	94,788	137,349	167,526
Amounts due to fellow subsidiaries	224,197	179,466	179,508
Financial guarantee contract liabilities	125,632	–	593,547
Bank borrowings	425,300	421,300	351,300
	869,917	738,115	1,291,881

31.2 Financial risk management objectives and policies

The Target Group's major financial instruments include trade and other receivables, amounts due from fellow subsidiaries, restricted bank balance, bank balance and cash, trade and other payables and amounts due to fellow subsidiaries, financial guarantee and bank borrowings. Details of these financial instruments are set out in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Interest rate risk

The Target Group is exposed to fair value interest rate risk in relation to fixed rate bank deposit and bank borrowing. It is the Target Group's policy to keep its loans at fixed rates of interest so as to minimise its exposures on interest rate movements.

The Target Group is also exposed to cash flow interest rate risk relating to the Target Group's variable-rate bank deposits. In management's opinion, the sensitivity analysis is unrepresentative as the cash flow interest rate risk is not significant to the Historical Financial Information.

The Target Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

(ii) Foreign currency risk

During the Relevant Periods, the Target Group did not have any significant exposure to foreign currency risk as most of its business transactions, assets and liabilities were denominated in RMB. Therefore, during the Relevant Periods, the Target Group did not have any formal hedging policy and did not use any financial instruments for hedging.

(b) Credit risk

As at 31 December 2025, 31 December 2024 and 31 December 2023, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

(i) Trade receivables

The Target Group's credit risk is primarily attributable to its trade receivables. The concentration of credit risk on certain trade receivables of Target Group are as follows:

	Concentration of credit risk on trade receivables from the five largest customers
	%
31 December 2023	22%
31 December 2024	44%
31 December 2025	1%

In order to minimise the credit risk, the management of the Target Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Target Group's credit risk is significantly reduced.

The Target Group's management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality based on the good payment history of the related debtors from historical experience. For the Relevant Period, the Target Group assesses ECL under HKFRS 9 *Financial Instruments* on trade receivables by reference to the probability of default and recovery rate by credit rating grades published by international credit-rating agencies. The loss rates are adjusted to reflect forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At the end of each reporting period, the loss rates are updated and changes in the forward-looking estimates are analysed.

The following table provides information about the Target Group's exposure to credit risk and ECL for trade receivables as at 31 December 2023, 2024 and 2025 were determined as follows:

	Current	Within 3 months past due	Over 3 months but less than 6 months past due	Over 6 months but less than 1 year past due	Over 1 year past due	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023						
ECL rate	0.9%	8.5%	23.6%	71.8%	72.1%	
Gross carrying amount – Trade receivables	50,393	12,116	5,024	2,312	6,196	76,041
Lifetime ECL	439	1,031	1,187	1,660	4,470	8,787
As at 31 December 2024						
ECL rate	1.3%	0.3%	3.7%	72.2%	72.1%	
Gross carrying amount – Trade receivables	29,418	376	108	9,506	3,743	43,151
Lifetime ECL	395	1	4	6,859	2,700	9,959
As at 31 December 2025						
ECL rate	0.8%	7.0%	3.6%	72.7%	73.4%	
Gross carrying amount – Trade receivables	79,718	17,068	274	9,551	5,014	111,625
Lifetime ECL	646	1,187	10	6,940	3,679	12,462

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, bank balances and cash, amount due from a fellow subsidiary. In order to minimise the credit risk of other receivables and amount due from a fellow subsidiary, the management would make periodic collective and individual assessment on the recoverability of other receivables and amount due from a fellow subsidiary based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards the credit risk of other receivables, amount due from a fellow subsidiary are considered to be low.

Besides, the Target Group's management is of opinion that there is no significant increase in credit risk on amount due from a fellow subsidiary since the amount was insignificant and thus, ECL recognised is based on 12-month ECL and is close to zero.

For other receivable, the Target Group assessed the ECL by reference to the probability of default and recovery rate by credit rating grades published by international credit-rating agencies and concluded that there are objective evidences of impairment at the reporting date.

During the Relevant Periods, the movements for ECL allowance of other receivables are as follows:

	ECL allowance			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	–	23	–	23
Recognised during the year	–	71	–	71
As at 31 December 2023	–	94	–	94
Reversed during the year	–	(69)	–	(69)
As at 31 December 2024	–	25	–	25
Reversed during the period	–	(6)	–	(6)
As at 31 December 2025	–	19	–	19

(iii) Restricted bank balances and bank balances and cash

The credit risks on restricted bank balances and bank balances and cash are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit rating agencies.

(iv) Amount due from fellow subsidiaries

The Target Group's management is of opinion that there is no significant increase in credit risk on amounts due from fellow subsidiaries since the amount was insignificant and thus, ECL recognised is based on 12-month ECL and is close to zero.

(v) Financial guarantee contracts

Details of the Target Group's financial guarantee contracts are set out in note 26 to the Historical Financial Information.

(c) Liquidity risk

In the management of liquidity risk, the Target Group monitors and maintains a level of bank balances and cash deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants. Having considered the factors and circumstances set out in Note 2 to the Historical Financial Information, the directors are satisfied that the Target Group will have sufficient liquidity to meet its cash flows requirements for the next twelve from the 31 December 2025.

The following table details the Target Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay.

	Weighted average effective interest rate	On demand or less than 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023						
Trade and other payables	N/A	94,788	–	–	94,788	94,788
Amounts due to fellow subsidiaries	N/A	224,197	–	–	224,197	224,197
Financial guarantee contract liabilities	N/A	125,632	–	–	125,632	125,632
Bank borrowings	5.59%	245,421	201,500	–	446,921	425,300
		690,038	201,500	–	891,538	869,917

	Weighted average effective interest rate	On demand or less than 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2024						
Trade and other payables	N/A	137,349	–	–	137,349	137,349
Amounts due to fellow subsidiaries	N/A	179,466	–	–	179,466	179,466
Bank borrowings	8.43%	421,300	–	–	421,300	421,300
		738,115	–	–	738,115	738,115

	Weighted average effective interest rate	On demand or less than 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2025						
Trade and other payables	N/A	167,526	–	–	167,526	167,526
Amounts due to fellow subsidiaries	N/A	179,508	–	–	179,508	179,508
Financial guarantee contract liabilities	N/A	593,547	–	–	593,547	593,547
Bank borrowings	5.15%	50,000	40,000	306,620	396,620	351,300
		990,581	40,000	306,620	1,337,201	1,291,881

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below shows details changes in the Target Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated statement of cash flow as cash flows from financing activities.

	Provision for litigations	Amounts due to fellow subsidiaries	Bank borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	–	223,056	429,300	652,356
Cash-flows:				
Repayment of bank borrowings	–	–	(4,000)	(4,000)
Interest paid	–	–	(16,534)	(16,534)
Advance from fellow subsidiaries	–	1,141	–	1,141
Non-cash:				
Provision	1,338	–	–	1,338
Interest expenses	–	–	25,522	25,522
Interest accrued	–	–	(8,988)	(8,988)
As at 31 December 2023 and 1 January 2024	1,338	224,197	425,300	650,835
Cash-flows:				
Repayment of bank borrowings	–	–	(4,000)	(4,000)
Repayment of litigation	(1,338)	–	–	(1,338)
Interest paid	–	–	(113)	(113)
Repayments from fellow subsidiaries	–	(44,731)	–	(44,731)
Non-cash:				
Transfer	128,943	–	–	128,943
Provision	10,549	–	–	10,549
Interest expenses	–	–	34,909	34,909
Interest accrued	–	–	(34,796)	(34,796)
As at 31 December 2024 and 1 January 2025	139,492	179,466	421,300	740,258
Cash-flows:				
Repayment of bank borrowings	–	–	(70,000)	(70,000)
Repayment of litigation	(6,080)	–	–	(6,080)
Advance from fellow subsidiaries	–	42	–	42
Non-cash:				
Provision	(2,018)	–	–	(2,018)
Interest expenses	–	–	32,939	32,939
Interest accrued	–	–	(32,939)	(32,939)
As at 31 December 2025	**131,394**	**179,508**	**351,300**	**662,202**

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Target Company at the end of each of the reporting period are set out below.

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up capital/registered capital	Proportion of ownership interest held by the Target Company 31 December			Principal activities
			2023	2024	2025	
Directly held:						
Sino Globe	Hong Kong	HK$1	100%	100%	100%	Investment holding
Indirectly held:						
Dongguan Chenghe#	The PRC	RMB500,000	99%*	99%	99%	Investment holding
Kaisa Healthcare Investment#	The PRC	RMB50,000,000	99%*	99%	99%	Investment holding
Qinghai Pharmaceutical#	The PRC	RMB100,000,000	54.29%*	54.29%	54.29%	Manufacturing and trading of pharmaceutical products
Dishengkang Pharmaceutical (Shanghai) Co., Ltd. ("**Dishengkang Pharmaceutical**")#	The PRC	RMB1,000,000	N/A	54.29%	54.29%	Inactive
Qinghai Pharmaceutical Research (Shenzhen) Co., Ltd. ("**Qinghai Pharmaceutical Research**")#	The PRC	RMB1,000,000	N/A	54.29%	54.29%	Inactive

* During the year ended 31 December 2023, Shenzhen Dijiaqi Commercial Services Company Limited (深圳市迪啟商務服務有限公司), an independent non-controlling shareholder of Dongguan Chenghe injected additional share capital to Dongguan Chenghe and thus, the Target Group's indirectly interest in Dongguan Chenghe was decreased from 100% to 99%.

\# These are non-wholly foreign owned enterprise established in the PRC.

None of the subsidiaries had issued any debt securities at the end of each reporting period.

(b) Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Target Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ establishment	Proportion of ownership interests held by non-controlling interests 31 December			Profit and other comprehensive income allocated to non-controlling interests 31 December			Accumulated non-controlling interests 31 December		
		2023	2024	2025	2023	2024	2025	2023	2024	2025
					RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Qinghai Pharmaceutical	The PRC	45.71%	45.71%	45.71%	18,982	16,745	23,114	220,763	225,411	184,227
Dishengkang Pharmaceutical	The PRC	N/A	45.71%	45.71%	N/A	–	–	N/A	–	–
Qinghai Pharmaceutical Research	The PRC	N/A	45.71%	45.71%	N/A	–	–	N/A	–	–
					18,982	16,745	23,114	220,763	225,411	184,227

Summarised financial information in respect of each of the Target Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra group eliminations.

Qinghai Pharmaceutical and its subsidiaries

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	354,084	428,852	321,428
Non-current assets	406,470	381,965	362,777
Current liabilities	(107,303)	(276,220)	(127,330)
Non-current liabilities	(165,517)	(36,199)	(150,285)
Net assets	487,734	498,398	406,590
Equity attributable to owners of the Target Company	266,971	272,987	222,363
Non-controlling interests	220,763	225,411	184,227
Revenue	455,135	495,957	530,752
Expenses	197,468	165,565	179,803
Profit and total comprehensive income for the year	41,532	37,362	50,571
Profit and total comprehensive income attributable to			
– Owners of the Target Company	22,550	20,617	27,457
– Non-controlling interests	18,982	16,745	23,114
Dividends paid to non-controlling interests of Qinghai Pharmaceutical	45,776	12,096	64,298
Net cash inflow from operating activities	28,628	118,024	19,640
Net cash outflow from investing activities	(14,089)	(3,792)	(8,255)
Net cash outflow from financing activities	(101,365)	(26,696)	(142,379)
Net cash (outflow) inflow	(86,826)	87,536	(130,994)

34. COMMITMENTS

Capital commitments of the Target Group in respect of construction in progress as at 31 December 2023, 2024 and 2025 that were not provided for in the Historical Financial Information statements were as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for	221,682	215,671	104,184

35. RELATED PARTY TRANSACTION

(a) Related party transactions and balances

Saved as disclosed elsewhere in this Historical Financial Information, the Target Group did not have other material transactions and balances with related parties during the Relevant Periods.

(b) Compensation of key management personnel

During the Relevant Periods, the details of the compensation of key management personnel are set out in Notes 15(a) and (b) to the Historical Financial Information.

36. SUBSEQUENT EVENTS

Saved as disclosed elsewhere in the Historical Financial Information, the Target Group did not have any significant events after the end of the reporting period.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group, the Target Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2025.

The following management discussion and analysis should be read in conjunction with the accountant's report of the Target Group for the three years ended 31 December 2023, 31 December 2024 and 31 December 2025 as set out in Appendix II to this circular.

1. CORPORATE STRUCTURE AND BUSINESS OVERVIEW

The Target Company holds 100% of the issued share capital of Sino Globe. Sino Globe holds 99% of the equity interest in Dongguan Chenghe, which in turn directly holds 100% of the issued share capital of Kaisa Healthcare Investment. Kaisa Healthcare Investment in turn directly holds 54.84% of the equity interest in the Project Company. The Project Company is responsible for the operational project business.

Business of the Project Company: The Project Group is engaged in the research and development, manufacturing, and sale of pharmaceutical products (including anaesthetic products) in the PRC. The Project Group's principal products include the active pharmaceutical ingredients (原料藥) and products (製劑) of anaesthetic antitussive. The products of the Project Group, such as medicines that are used for pain relief or anti-infection purpose, also have general applications in dentistry. The Project Company holds a pharmaceutical product manufacturing licence (藥品生產許可證) issued by the Qinghai Medical Products Administration (青海省藥品監督管理局), the current term of which will expire on 12 November 2030. The Project Company has its own research and development and manufacturing facilities located in Xining City, Qinghai Province, the PRC with a total site area of approximately 76,000 sqm and a total gross floor area of approximately 43,890 sqm.

2. OPERATING AND FINANCIAL REVIEW

2.1. Revenue

For the year ended December 31, 2023, the Target Group recorded revenue of approximately RMB455,135,000. Revenue was primarily derived from pharmaceutical sales in Mainland China.

For the year ended December 31, 2024, revenue was approximately RMB495,957,000, representing an increase of approximately RMB40,822,000 or 9.0% compared to 2023, primarily attributable to a year-on-year increase of approximately 22% in API sales.

For the year ended December 31, 2025, revenue was approximately RMB530,752,000, representing an increase of approximately RMB34,795,000 or 7.0% compared to 2024, primarily driven by a year-on-year increase of approximately 17% in sales of finished dosage forms.

2.2. Cost of Sales

For the year ended December 31, 2023, the Target Group recorded cost of sales of approximately RMB225,049,000. Cost of sales mainly comprised raw material costs, direct labor costs, manufacturing overheads, and depreciation and amortization related to the production of goods sold.

For the year ended December 31, 2024, cost of sales was approximately RMB300,810,000, an increase of approximately RMB75,761,000 or 33.7% compared to 2023, mainly due to increased production in line with higher sales demand.

For the year ended December 31, 2025, cost of sales was approximately RMB304,753,000, an increase of approximately RMB3,943,000 or 1.3% compared to 2024, also attributed to increased sales demand.

2.3. Gross Profit and Gross Profit Margin

For the year ended December 31, 2023, the Target Group recorded gross profit of approximately RMB230,086,000.

For the year ended December 31, 2024, gross profit was approximately RMB195,147,000, a decrease of approximately RMB34,939,000 or 15.2% compared to 2023, primarily due to an increased revenue contribution from products with lower gross margins.

For the year ended December 31, 2025, gross profit was approximately RMB225,999,000, an increase of approximately RMB30,852,000 or 15.8% compared to 2024, primarily benefiting from growth in product sales revenue.

For the years ended December 31, 2023, 2024, and 2025, the Target Group's gross profit margin was approximately 50.6%, 39.3%, and 42.6%, respectively. The gross profit margin for 2024 decreased by 11.3 percentage points compared to 2023, mainly due to the aforementioned shift in sales mix towards lower-margin products. The gross profit margin for 2025 increased by 3.3 percentage points compared to 2024, primarily driven by growth in product sales revenue.

2.4. Other Income, Gains, and Losses

For the year ended December 31, 2023, the Target Group recorded other gains of approximately RMB315,000.

For the year ended December 31, 2024, other losses were approximately RMB6,104,000, an increase in losses of approximately RMB6,419,000 compared to 2023. This was primarily due to a provision for estimated litigation loss of approximately RMB10,549,000 recognized in relation to the Ruihong judgment. The judgment involved Kaisa Healthcare Investment acting as a guarantor for a short-term interest-bearing loan of RMB500,000,000 provided by Ruihong Real Estate (as lender) to Kaisa Shenzhen (as borrower).

For the year ended December 31, 2025, other gains were approximately RMB8,524,000, an increase in gains of approximately RMB14,628,000 compared to 2024, mainly because no non-recurring losses related to litigation occurred during the period.

2.5. Selling and Distribution Expenses

Selling and distribution expenses primarily consist of employee costs for sales and marketing personnel and expenses related to marketing activities.

For the year ended December 31, 2023, selling and distribution expenses were approximately RMB106,875,000.

For the year ended December 31, 2024, selling and distribution expenses were approximately RMB71,161,000, a decrease of approximately RMB35,714,000 or 33.4% compared to 2023, mainly due to a corresponding reduction in sales expenses following price reductions for some products.

For the year ended December 31, 2025, selling and distribution expenses were approximately RMB77,627,000, an increase of approximately RMB6,466,000 or 9.1% compared to 2024, primarily due to increased sales expenses in line with higher sales revenue.

2.6. Administrative Expenses

Administrative expenses primarily consist of management salaries, daily operational expenses, and other management-related expenditures.

For the year ended December 31, 2023, administrative expenses were approximately RMB65,426,000.

For the year ended December 31, 2024, administrative expenses were approximately RMB63,720,000, a decrease of approximately RMB1,706,000 or 2.6% compared to 2023, mainly due to a reduction in amortization expenses.

For the year ended December 31, 2025, administrative expenses were approximately RMB65,834,000, an increase of approximately RMB2,114,000 or 3.3% compared to 2024, primarily due to an increase in employee-related costs for management personnel.

2.7. Reversal and recognition of impairment losses under expected credit loss model

For the year ended December 31, 2023, the Target Group recorded impairment losses of approximately RMB8,191,000.

For the year ended December 31, 2024, the Target Group recorded impairment losses of approximately RMB4,414,000, a decrease of approximately RMB3,777,000 compared to 2023, mainly due to a decrease in impairment losses on financial guarantee contract liabilities.

For the year ended December 31, 2025, the Target Group recorded impairment losses of approximately RMB2,497,000, a decrease of approximately RMB1,917,000 compared to 2024, mainly due to a decrease in impairment losses on financial guarantee contract liabilities.

2.8. Research and Development Expenses

R&D expenses primarily relate to expenditures for developing new drugs and optimizing pharmaceutical processes.

For the year ended December 31, 2023, R&D expenses were approximately RMB24,542,000.

For the year ended December 31, 2024, R&D expenses were approximately RMB26,580,000, an increase of approximately RMB2,038,000 or 8.3% compared to 2023, mainly due to ongoing expenses for projects such as clinical trials for new drugs, bioequivalence studies for generic drugs, and pharmaceutical process optimization.

For the year ended December 31, 2025, R&D expenses were approximately RMB29,104,000, an increase of approximately RMB2,524,000 or 9.5% compared to 2024, mainly due to the continuation of R&D projects.

2.9. Finance Costs

For the year ended December 31, 2023, finance costs were approximately RMB25,522,000.

For the year ended December 31, 2024, finance costs were approximately RMB34,909,000, an increase of approximately RMB9,387,000 or 36.8% compared to 2023, primarily due to increased interest expenses on borrowings from China Minsheng Bank.

For the year ended December 31, 2025, finance costs were approximately RMB32,939,000, a decrease of approximately RMB1,970,000 or 5.6% compared to 2024, mainly due to a reduction in interest expenses following the repayment of principal on China Minsheng Bank borrowings.

2.10. Dividend

No dividends were paid, declared or proposed for the Relevant Periods, nor has any dividend been proposed since the end of the reporting periods.

3. FINANCIAL POSITION, LIQUIDITY, AND CAPITAL RESOURCES

3.1. Liquidity and Cash Resources

During the reporting period, the Target Group primarily funded its operations using cash generated from operating activities.

As of December 31, 2023, 2024, and 2025, the Target Group's bank balance and cash were approximately RMB70,244,000, RMB157,774,000, and RMB25,387,000, respectively.

As of December 31, 2023, 2024, and 2025, the Target Group's restricted bank balance was Nil, Nil and RMB1,610,000, respectively.

As of December 31, 2023, 2024, and 2025, the Target Group's net current liabilities were approximately RMB305,638,000, RMB508,333,000, and RMB751,789,000, respectively. The current ratio (defined as total current assets divided by total current liabilities) as of the respective dates was approximately 0.56, 0.46, and 0.31. The quick ratio (defined as total current assets minus inventories, divided by total current liabilities) as of the respective dates was approximately 0.26, 0.23, and 0.16.

3.2. Borrowings and Gearing

As of December 31, 2023, 2024, and 2025, the Target Group's short-term bank borrowings were approximately RMB229,300,000, RMB421,300,000, and RMB50,000,000, respectively. Long-term bank borrowings were approximately RMB196,000,000, Nil, and RMB301,300,000, respectively. For further details, see note 28 to financial statements in Appendix II herein.

As of December 31, 2023, 2024, and 2025, the Target Group's provision for litigations were approximately RMB1,338,000, RMB139,492,000, and RMB131,394,000, respectively. For further details, see note 27 to financial statements in Appendix II herein.

As of December 31, 2023, 2024, and 2025, the Target Group's provision for financial guarantee contracts liabilities were approximately RMB125,632,000, Nil and RMB593,547,000, respectively. For further details, see note 26 to financial statements in Appendix II herein.

As of December 31, 2023, 2024, and 2025, the Target Group's amounts due to fellow subsidiaries were approximately RMB224,197,000, RMB179,466,000, and RMB179,508,000, respectively. These balances are unsecured, interest-free, and repayable on demand.

As of December 31, 2023, 2024, and 2025, the Target Group's net debt (defined as bank borrowings, provisions, and financial guarantees, less bank balance and cash) was approximately RMB482,026,000, RMB403,018,000, and RMB1,050,854,000, respectively. The gearing ratio, calculated as net debt divided by the sum of net debt and total equity, was approximately 69%, 68%, and 173% as of December 31, 2023, 2024, and 2025, respectively. The significant increase as of December 31, 2025, compared to December 31, 2024, was mainly attributable to the increase in financial guarantee liabilities.

4. OTHER MATERIAL INFORMATION

4.1. Significant Investments, Acquisitions, and Disposals

During the reporting period, the Target Group did not have any significant acquisitions or disposals of its subsidiaries.

4.2. Pledged Assets

As of December 31, 2023, 2024, and 2025, the 54.84% equity interest in the Project Company held by the subsidiary Kaisa Healthcare Investment was pledged to China Minsheng Bank as security for loans obtained by Kaisa Healthcare Investment and guarantees provided for loans obtained by fellow subsidiaries from the same bank. Apart from the 54.84% equity interest in the Project Company, the Target Group had no other pledged assets as of the respective dates.

4.3. Capital Expenditure and Capital Commitments

For the years ended December 31, 2023, 2024, and 2025, the Target Group's capital expenditure was approximately RMB28,048,000, RMB14,155,000, and RMB17,602,000, respectively, primarily used for the purchase of production equipment. As of December 31, 2023, 2024, and 2025, the Target Group's capital commitments in respect of construction in progress were approximately RMB221,682,000, RMB215,671,000, and RMB104,184,000, respectively.

4.4. Foreign Exchange Risk

During the reporting period, the Target Group's principal operations are conducted in China, with revenues and expenditures primarily denominated in Renminbi. Consequently, the Target Group is not exposed to significant risks arising from fluctuations in foreign currency exchange rates and has not entered into any contracts to hedge its foreign currency exposure.

4.5. Contingent Liabilities

As of December 31, 2023, 2024, and 2025, the Target Group did not have any contingent liabilities.

4.6. Employees and Remuneration Policy

As of December 31, 2023, 2024, and 2025, the Target Group had 615, 632, and 574 employees, respectively. The Target Group's total staff costs for the years ended December 31, 2023, 2024, and 2025 were RMB62,116,000, RMB76,120,000, and RMB80,579,000, respectively. The Target Group's remuneration policy is aligned with market practices, based on job requirements, performance, and external benchmarks. The Target Group provides social insurance and pension benefits to its employees to maintain competitiveness.

4.7. Future Plans for Significant Investments or Capital Assets

Other than the matters disclosed in this circular, the Target Group does not have any plans for significant investments or capital assets.

The information set out in this appendix does not form part of the Accountant's Report of the Target Group received from ZSZH (HK) Fuson CPA Limited (formerly known as SFAI (HK) CPA Limited), Certified Public Accountants, Hong Kong, the reporting accountants of the Company as set out in Appendix II to the circular and is included herein for information only.

The unaudited pro forma financial information set out below should be read in conjunction with "Appendix I – Financial Information of the Group" and "Appendix II – Accountant's Report of the Target Group" in this circular.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Basis of Preparation of the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group

Pursuant to the Announcement, on 18 March 2026, the Company (an indirectly non-wholly owned subsidiary of Kaisa Group as at the date of the Announcement) and the Vendor (a wholly-owned subsidiary of Kaisa Group as at the date of the Announcement) entered into the Agreement pursuant to which the Company conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, for the Consideration in the amount of RMB21,603,729 (equivalent to approximately HK$24,412,214). Prior to the Acquisition, Kaisa Group is the Controlling Shareholder for both of the Company and the Vendor. Thus, for accounting purposes, the Acquisition is considered to be a business combination of entities under common control.

The unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") is prepared to provide information on the Enlarged Group as a result of the completion of the Acquisition on the basis set out in the notes below for illustrating the effect of the Acquisition, as if the Acquisition had taken place on 31 December 2025 for the preparation of the unaudited pro forma consolidated statement of financial position. For the preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows, it is assumed that the Acquisition had taken place on 1 January 2025. The directors of the Company consider that such basis is appropriate for reflecting the accounting treatment to be adopted upon completion of the Acquisition and providing the relevant information to the shareholders of the Company.

The Unaudited Pro Forma Financial Information is prepared by the directors of the Company in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), for the purpose of illustrating the effect of the Acquisition as described in the section headed "Letter from the Board" in this circular.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and is based on certain assumptions, estimates and current available information. Accordingly, because of its hypothetical nature, it does not purport to represent what the results and cash flows, or financial position of the Enlarged Group would have been upon completion of the Acquisition, any future periods or on any future dates, that are: (i) clearly shown and explained; (ii) directly attributable to the Acquisition and not relating to future events or decision; and (iii) factually supportable as if the Acquisition had been effected on 31 December 2025 or 1 January 2025, if appropriate.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2025 are prepared based on the audited consolidated statement of financial position as at 31 December 2025 as extracted from: (i) the Company's annual report as of and for the year ended 31 December 2025 published on 25 March 2026; and (ii) the Accountant's Report of the Target Company as set out in Appendix II of this circular, respectively, after making pro forma adjustments to the Acquisition, as if the Acquisition had taken place on 31 December 2025 thereon.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2025 are prepared based on the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows for the year ended 31 December 2025 as extracted from (i) the Company's annual report as of and for the year ended 31 December 2025 published on 25 March 2026; and (ii) the Accountant's Report of the Target Company as set out in Appendix II of this circular, respectively, after making pro forma adjustments to the Acquisition, as if the Acquisition had taken place on 1 January 2025 thereon.

The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company as of and for the year ended 31 December 2025; the Accountants Report of the Target Company as set out in Appendix II of this Circular and other financial information included elsewhere in this circular.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group for the year ended 31 December 2025	*The Target Group for the year ended 31 December 2025*	The Target Group for the year ended 31 December 2025	Pro Forma Adjustments		The Enlarged Group for the year ended 31 December 2025
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets						
Property, plant and equipment	15,179	*250,226*	278,852			294,031
Right-of-use assets	12,788	*11,744*	13,088			25,876
Intangible assets	4,146	*96,011*	106,995			111,141
Goodwill	20,217	*473,857*	528,066			548,283
Financial assets at fair value through profit or loss	162,237	–	–			162,237
Deferred tax assets	–	*4,797*	5,346			5,346
	214,567	*836,635*	932,347			1,146,914
Current assets						
Inventories	15,492	*157,690*	175,730			191,222
Trade and other receivables	131,108	*138,274*	154,093			285,201
Amounts due from fellow subsidiaries	939	*7,019*	7,822			8,761
Restricted bank balances	–	*1,610*	1,794			1,794
Bank balances and cash	109,603	*25,387*	28,291		(2,000)	135,894
	257,142	*329,980*	367,730			622,872
Current liabilities						
Trade and other payables	50,462	*127,320*	141,885			192,347
Amounts due to fellow subsidiaries	1,133	*179,508*	200,044			201,177
Provision for financial guarantee contracts liabilities	–	*593,547*	661,449			661,449
Provision for litigations	–	*131,394*	146,425			146,425
Lease liabilities	5,387	–	–			5,387
Amount due to a holding company	360	–	–			360
Bank borrowings	–	*50,000*	55,720			55,720
Taxation payable	7,260	–	–			7,260
	64,602	*1,081,769*	1,205,523			1,270,125
Net current assets	192,540	*(751,789)*	(837,793)			(647,253)
Total assets less current liabilities	407,107	*84,846*	94,554			499,661

	The Group for the year ended 31 December 2025	*The Target Group for the year ended 31 December 2025*	The Target Group for the year ended 31 December 2025	Pro Forma Adjustments		The Enlarged Group for the year ended 31 December 2025
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current liabilities						
Bank borrowings	–	*301,300*	335,769			335,769
Trade and other payables	–	*197,970*	220,618			220,618
Lease liabilities	8,076	–	–			8,076
Deferred taxation	534	*28,800*	32,095			32,629
	8,610	*528,070*	588,482			597,092
Net assets (liabilities)	398,497	*(443,224)*	(493,928)			(97,431)
Capital and reserves						
Share capital	6,303	–	–	174		6,477
Reserves (deficiency of reserves)	397,072	*(626,232)*	(697,872)	(174)	(2,000)	(302,974)
Equity (deficit) attributable to owners of the Company/Target Company	403,375	*(626,232)*	(697,872)			(296,497)
Non-controlling interests	(4,878)	*183,008*	203,944			199,066
Total (deficit of) equity	398,497	*(443,224)*	(493,928)			(97,431)

Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of The Enlarged Group

	The Group for the year ended 31 December 2025	***The Target Group for the year ended 31 December 2025***	**The Target Group for the year ended 31 December 2025**	**Pro forma adjustment**	**The Enlarged Group for the year ended 31 December 2025**
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 4)*	
Revenue	139,112	*530,752*	575,601		714,713
Cost of sales	(88,468)	*(304,753)*	(330,505)		(418,973)
Gross profit	50,644	*225,999*	245,096		295,740
Other income, gains and losses, net	1,583	*8,524*	9,244		10,827
Selling and distribution costs	(51,182)	*(77,627)*	(84,186)		(135,368)
Administrative expenses	(35,086)	*(65,834)*	(71,397)	(2,000)	(108,483)
Gain (losses) from change in fair value of financial assets at fair value through profit or loss ("**FVTPL**")	10,562	–	–		10,562
Reversal of (impairment loss) recognised on trade receivables, net	(2,860)	*(2,503)*	(2,715)		(5,575)
Impairment loss recognised on other receivables, net	(3,103)	*6*	7		(3,096)
Research and development expenses	(16,911)	*(29,104)*	(31,563)		(48,474)
Finance costs	(592)	*(32,939)*	(35,722)		(36,314)
Profit before income tax	(46,945)	*26,522*	28,764		(20,181)
Income tax credit (expense)	97	*(1,707)*	(1,851)		(1,754)
Profit (loss) for the year	(46,848)	*24,815*	26,913		(21,935)

	The Group for the year ended 31 December 2025	*The Target Group for the year ended 31 December 2025*	The Target Group for the year ended 31 December 2025	Pro forma adjustment	The Enlarged Group for the year ended 31 December 2025
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 4)*	
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	18,854	–	–		18,854
Other comprehensive income for the year, net of tax	18,854	–	–		18,854
Total comprehensive (expense) income for the year	(27,994)	*24,815*	26,913		(3,081)
(Loss) profit for the year attributable to:					
– Owners of the Company	(46,678)	*2,224*	2,413		(46,265)
– Non-controlling interests	(170)	*22,591*	24,500		24,330
	(46,848)	*24,815*	26,913		(21,935)
Total comprehensive (expense) income for the year attributable to:					
– Owners of the Company	(27,778)	*2,224*	2,413		(27,365)
– Non-controlling interests	(216)	*22,591*	24,500		24,284
	(27,994)	*24,815*	26,913		(3,081)

Unaudited Pro Forma Consolidated Statement of cash flows of The Enlarged Group

	The Group for the year ended 31 December 2025 *HK$'000 (Note 1)*	*The Target Group for the year ended 31 December 2025 RMB'000 (Note 2)*	The Target Group for the year ended 31 December 2025 *HK$'000 (Note 2)*	Pro Forma adjustment *HK$'000 (Note 4)*	The Enlarged Group for the year ended 31 December 2025 *HK$'000*
Cash flow from operating activities					
(Loss) profit before income tax	(46,945)	*26,522*	28,763	(2,000)	(20,182)
Adjustments for:					
Amortisation of intangible assets	766	*28,803*	31,237		32,003
Depreciation of property, plant and equipment	6,731	*8,285*	8,985		15,716
Depreciation of right-of-use assets	5,496	*278*	301		5,797
Losses (gain) on disposal of property, plant and equipment	813	*(605)*	(656)		157
Gain on modification of lease	(619)	–	–		(619)
Interest income	(781)	*(1,403)*	(1,522)		(2,303)
Dividend income from a limited partnership	(246)	–	–		(246)
(Reversal of) impairment loss recognised on, net:					
– Trade receivables	2,860	*2,503*	2,715		5,575
– Other receivables	3,103	*(6)*	(7)		3,096
Provision for legal claim	–	*(2,018)*	(8,782)		(8,782)
Gains from change in fair value of financial assets at FVTPL	(10,562)	–	–		(10,562)
Finance costs	592	*32,939*	35,722		36,314
Operating cash flows before movements in working capital	(38,792)	*95,298*	96,756		55,964
Change in inventories	(1,805)	*58,202*	63,120		61,315
Change in trade and other receivables	16,431	*(84,268)*	(91,389)		(74,958)
Change in trade and other payables	(16,662)	*(26,522)*	(28,763)		(45,425)
Net cash (used in) generated from operations	(40,828)	*42,710*	39,724		(3,104)
Income tax paid	(6,495)	*(11,040)*	(11,973)		(18,468)
Net cash (used in) generated from operating activities	(47,323)	*31,670*	27,751		(21,572)

	The Group for the year ended 31 December 2025	*The Target Group for the year ended 31 December 2025*	The Target Group for the year ended 31 December 2025	Pro Forma adjustment	The Enlarged Group for the year ended 31 December 2025
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 4)*	
Cash flows from investing activities					
Purchase of property, plant and equipment	(9,325)	*(17,602)*	(19,089)		(28,414)
Purchase of intangible assets	(1,762)	–	–		(1,762)
Proceed on disposal of property, plant and equipment	–	*841*	912		912
Changes in investment cost of financial assets at FVTPL without changes in ownership percentage	16,628	–	–		16,628
Changes in amount due from fellow subsidiaries	–	*(6,753)*	(7,324)		(7,324)
Interest received	781	*1,403*	1,522		2,303
Dividend received from a limited partnership	246	–	–		246
Payment to fellow subsidiaries	(52)	–	–		(52)
Net cash generated from (used in) investing activities	6,516	*(22,111)*	(23,979)		(17,463)
Cash flows from financing activities					
Repayment for bank and other borrowings	–	*(70,000)*	(75,915)		(75,915)
Repayments of lease liabilities	(5,632)	–	–		(5,632)
Repayments of litigations	–	*(6,080)*	(6,594)		(6,594)
Changes in amount due to fellow subsidiaries	–	*42*	46		46
Dividend paid to non-controlling shareholders of non-wholly owned subsidiaries	–	*(64,298)*	(69,731)		(69,731)
Interest paid	(592)	–	–		(592)
Net cash used in financing activities	(6,224)	*(140,336)*	(152,194)		(158,418)
Net decrease in cash and cash equivalents	(47,031)	*(130,777)*	(141,828)		(190,859)
Cash and cash equivalents at 1 January	149,609	*157,774*	167,256		316,865
Effect of foreign exchange rate changes	7,025	–	4,657		11,682
Cash and cash equivalents at 31 December, representing by bank balance and cash	109,603	*26,997*	30,085		137,688

Notes:

(1) The financial information of the Group as of and for the year ended at 31 December 2025 was extracted from the annual report of the Group for the year ended 31 December 2025 published on 25 March 2026.

(2)(a) The financial information of the Target Company as of and for the year at 31 December 2025 that are presented in RMB are extracted from the Historical Financial Information of the Target Company as set out in Appendix VI to this circular, and after certain figures have been reclassified to confirm to the amounting policies and the presentation of the Company's audited financial statement as of and for the year ended 31 December 2025.

(2)(b) The Historical Financial Information of the Target Company as of and for the year ended 31 December 2025 are present in RMB. In preparing this Unaudited Pro Forma Financial Information, the financial information of the Target Company was converted from RMB to HK$ on the following basis:

- For the purpose of the unaudited pro forma consolidated statement of financial position, the amounts denominated in RMB were translated into HK$ at RMB1 to HK$1.1144, the exchange rate prevailing as at 31 December 2025.

- For the purpose of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, the amounts denominated in RMB were translated into HK$ at RMB1 to HK$1.0845, the average exchange rate prevailing for the year ended 31 December 2025.

- For the purpose of the unaudited pro forma consolidated statement of cash flows, the amounts denominated in RMB were translated into HK$ at RMB1 to HK$1.0845, except for the balance of cash and cash equivalents at the beginning of the year denominated in RMB that has been translated into HK$ at RMB1 to HK$1.0601, being the exchange rate prevailing as at 1 January 2025.

(3) Pursuant to the Agreement, the Consideration of the Acquisition in the amount of RMB21,603,729 (equivalent to approximately HK$24,412,214), which will be fully satisfied by:

(i) assuming the Share Consolidation having taken effect, the allotment and issue of 2,789,967 Consideration Shares (taking into account of the Consolidation) at the issue price of HK$8.75 per Consideration Share by the Company to the Vendor upon completion of the Acquisition; and

(ii) assuming the Share Consolidation not having taken effect, the allotment and issue of 139,498,364 Consideration Shares (without the consideration of the Consolidation) at the issue price of HK$0.175 per Consideration Share by the Company to the Vendor upon completion of the Acquisition

Since both the Company and Target Company are ultimately controlled by the Controlling Shareholder, Kaisa Group, before and after the Acquisition and the control is not transitory for accounting purposes, the Acquisition, the Acquisitions will be accounted for using merger basis of accounting as stipulated in the Hong Kong Accounting Guideline 5, "Merger Accounting for Common Control Combinations" issued by the HKICPA. The assets and liabilities of the Target Company will be consolidated in the consolidated financial statements of the Company using their respective carrying amounts. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The adjustment represents the estimated financial impact of issuing new 139,498,364 Consideration Shares (without the consideration of the Consolidation) in acquisition for all issued shares of the Target Company as at 31 December 2025 and the elimination of the Company's investment in the Target Company using merger accounting. The adjustments as at 31 December 2025 include (i) a net increase in share capital of the Company by the elimination of the issued share capital of the Target Company of US$1.00; and the issuance of 139,498,364 Consideration Shares at par value of HK$0.00125 each per share as at 31 December 2025, and (ii) a resulting adjustment to reserves as the Acquisition represents the merger under common control and all differences between the total consideration shares paid and net assets of the Target Company will be adjusted in equity.

(4) The adjustment represents the payment of transaction costs such as legal and professional service cost directly attributable to the preparation of this circular, which are estimated to be approximately HK$2,000,000.

(5) No adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group or the Target Group entered into subsequent to 31 December 2025 for the unaudited pro forma consolidated statement of financial position and 31 December 2025 for unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows thereon.

(B) INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountant's assurance report received from ZSZH (HK) Fuson CPA Limited, Certified Public Accountants, the Hong Kong reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of inclusion in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Kaisa Health Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of Kaisa Health Group Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company ("**Directors**") for illustrative purposes only. The Unaudited Pro Forma Financial Information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2025 and the Group's financial performance and cash flows for the year ended 31 December 2025, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2025, and related notes as set out on pages II-5 to II-59 of Appendix II to the circular issued by the Company dated 2 June 2026 (the "**Circular**") in relation to the very substantial acquisition and connected transaction involving the issue of consideration shares under specific mandate (the "**Acquisition**") of entire share capital in Embrace Blossom Limited. The applicable criteria on the basis of which the Directors have complied the Unaudited Pro Forma Financial Information of the Group are described in Appendix II of this Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position, financial performance and cashflows as at 31 December 2025 or 1 January 2025 and the Group's financial performance and cash flows as of and for the year ended 31 December 2025 as if the Acquisition had taken place on 31 December 2025 or 1 January 2025. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Company's annual report as of and for the year ended 31 December 2025, on which an audit report has been published, date 25 March 2026.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the "*Code of Ethics for Professional Accountants*" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 "*Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*" which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information of the Group and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information of the Group beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information of the Group, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information of the Group.

The purpose of the Unaudited Pro Forma Financial Information of the Group included in a Circular is solely to illustrate the impact of the significant event or transaction on consolidated net tangible assets of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2025 or 1 January 2025 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information of the Group has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information of the Group provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information of the Group reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information of the Group.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information of the Group has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information of the Group as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

ZSZH (HK) Fuson CPA Limited
Certified Public Accountants

Unit 2, 27/F, Wu Chung House,
213 Queen's Road East,
Wan Chai, Hong Kong

Lee Yan Fai
Practising Certificate Number: P06078
Hong Kong, 2 June 2026

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Hong Kong Appraisal Advisory Limited, an independent professional valuer.

23 April 2026

Kaisa Health Group Holdings Ltd.
30/F., The Center
99 Queen's Road Central
Central
Hong Kong

Dear Sirs and Madams,

In accordance with the request and authorization of Kaisa Health Group Holdings Ltd. (the "**Group**" or the "**Client**"), we have been engaged to estimate the *market value* of 100% equity interest in Embrace Blossom Limited (the "**Target Company**", together with its subsidiaries, the "**Target Group**") and its subsidiaries as at 31 December 2025 (the "**Valuation Date**"). We are aware the Group plans to acquire the shareholding of the Target Company (the "**Acquisition**") and our valuation results may be used as a reference for the determination of the consideration for the Acquisition. The intended use of this report will be to serve as a basis for disclosure in the announcement and the circular to be published by the Client.

Notwithstanding that the Client proposes to acquire the entire interests of the Target Company, the Client is effectively acquiring 54.84% interest of the Project Company (as defined below) through the Acquisition. This valuation report identifies the subject assets, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value.

For the purposes of this valuation, the following terms are defined as follows:

Market value is the estimated amount at which a property might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts.

Business enterprise is defined as the combination of all tangible assets (buildings, machinery and equipment), long term investment, net working capital and intangible assets of a continuing business. Alternatively, the business enterprise is equivalent to the investment capital of the business, that is, the combination of the value of shareholder's equity and long-term debt. *Equity value* is the value of a business to all its equity holders.

The intended user is the Client and such other parties and entities (if any) expressly recognized by Hong Kong Appraisal Advisory Ltd.

We have valued the *market value* of the Target Company in accordance with the International Valuation Standards ("**IVS**") published by the International Valuation Standards Council.

INTRODUCTION

Kaisa Health Group Holdings Ltd.

Kaisa Health Group Holdings Limited (the "**Group**" or the "**Client**") is a listed company on The Stock Exchange of Hong Kong Limited (Stock Code: 876).

The Target Company

The Target Company is Embrace Blossom Limited, a private holding company registered in the British Virgin Islands. The Target Company holds the entire issued share capital of Sino Globe Limited (誠合有限公司) ("**Sino Globe**"), which holds 99% of Chenghe Industrial Development (Dongguan) Co., Ltd. (誠合實業發展(東莞)有限公司) ("**Dongguan Chenghe**"), which in turn directly holds 100% equity interest of Kaisa Healthcare Investment (Shenzhen) Co., Ltd. (佳兆業醫療投資(深圳)有限公司) ("**Kaisa Healthcare Investment**"), which in turn directly holds 54.84% equity interest of (青海製藥有限公司) (Qinghai Pharmaceutical Co. Ltd.) (the "**Project Company**", together with its subsidiaries, the "**Project Group**"). Each of the Target Company, Sino Globe, Dongguan Chenghe and Kaisa Healthcare Investment (collectively, the "**Target Holding Companies**") is an investment holding company with no substantive business; and the principal assets held by the Target Group are the Project Group, and the principal business of the Target Group is the business conducted by the Project Group, which is held as to 54.84% by the Target Holding Companies. The Project Company is a drug manufacturer based in the PRC and principally engages in the research and development, production and sale of narcotic and pharmaceutical drugs. It is also one of the two dominating suppliers of Active Pharmaceutical Ingredients ("**APIs**"). The Project Group has its production center in the Qinghai region of the PRC which consists of six workshops processing raw materials and synthesizing pharmaceutical drugs, a major research and development facility focusing on developing and testing of new drugs, as well as other supporting facilities including offices and storage facilities, occupying a total area of 30,200 square meters.

SOURCES OF INFORMATION

We relied on the following internal and external information in performing this valuation:

- The financial data of comparable companies from S&P Capital IQ;
- The financial statements of the Target Company and its subsidiaries provided by the management of the Target Group (the "**Management**");
- The Financial Projection provided by the Management;
- Discussion with the Management.

We have also obtained information on the general economy and the industry from public sources including the National Bureau of Statistics of China, S&P Capital IQ, The State Council Information Office, Trading Economics and Statista.

SCOPE OF WORK

The main purpose of this valuation is to estimate the *market value* of the Target Company. We have performed the following procedures:

– Discussion with the Management to understand the business operations of the Project Group

– Review its historical performance and assess reasonableness of the financial forecast provided by the Management on the Target Company and the Project Company;

– Valuation analysis of the Project Company using *income approach*;

– Outline our findings (including valuation assumptions) and valuation results;

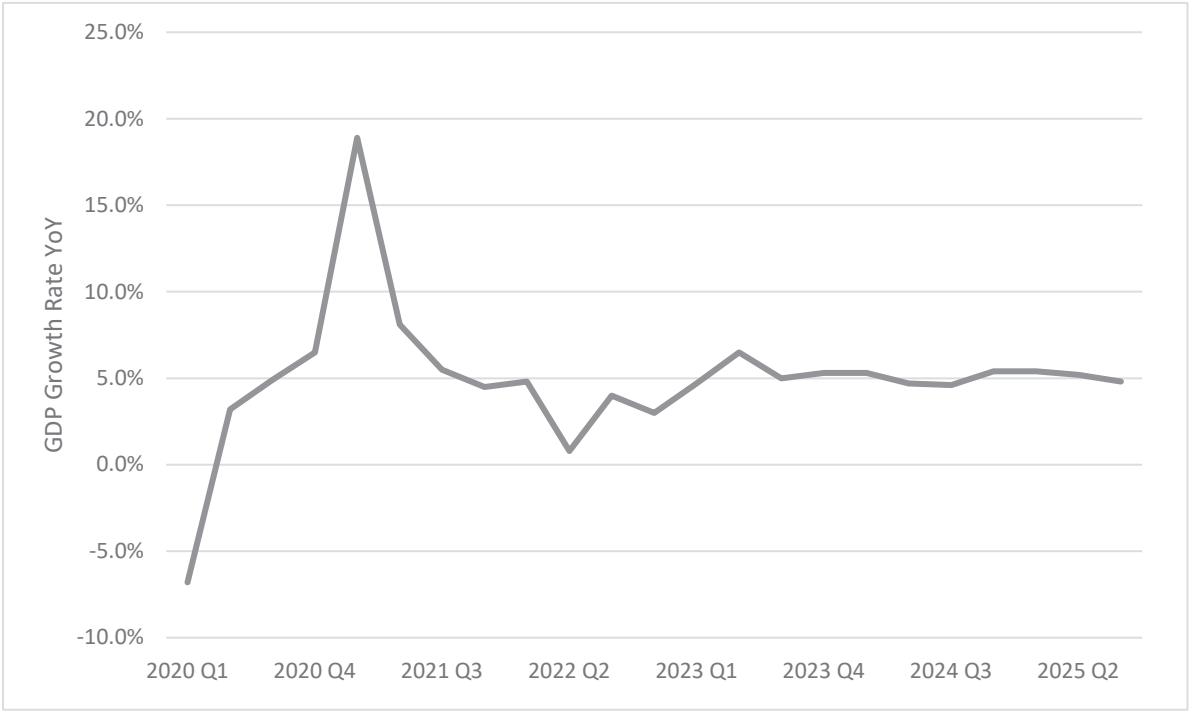
– Finalize valuation report of the Target Company.

ECONOMIC OVERVIEW

China Macroeconomic Conditions

Gross Domestic Product (GDP) measures the total value of all finished goods and services within a specific period for a country. China's nominal gross domestic product ("**GDP**") China's GDP grew by 4.8% year-on-year in the third quarter of 2025, which is slightly higher than the growth rate in 2024 Q3. The growth industry performed well in 2025, especially for manufacturing. Overall, the GDP growth rate is relatively stable since 2023.

Exhibit 1: China GDP YoY Growth Rate by Year (2020 Q1 to 2025 Q3)



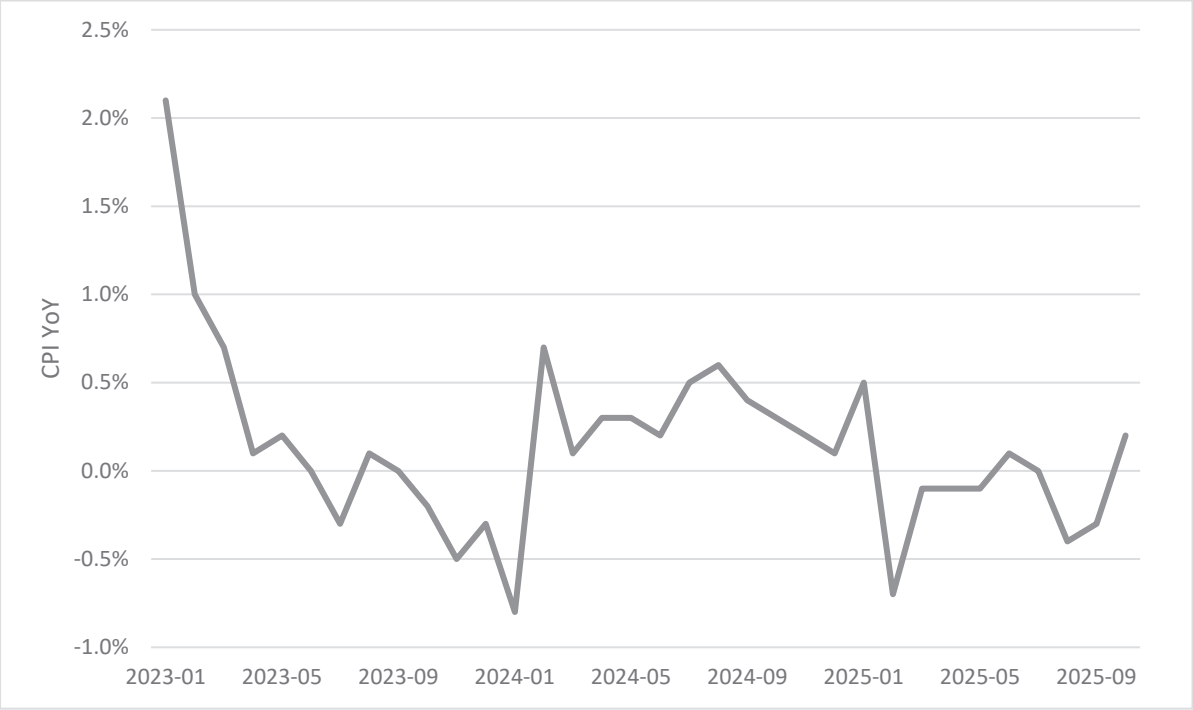
Source: Trading Economics

The Chinese government has set a GDP growth target of around 5% for 2025, consistent with the previous year's target. Although the economy recovered from the COVID-19 epidemic, the goal of GDP growth rate is still challenging for possible international conflict and trade war.

The government is implementing various measures to stimulate the economy, including stimulating consumption policy, easing property purchase restrictions, and easing monetary policy. However, challenges remain, particularly in the real estate sector, which continues to drag on economic performance.

Consumer Price Index ("**CPI**"), also known as inflation, measures the overall change in consumer price level based on a representative basket of goods and services over time.

Exhibit 2: Inflation rate in China from January 2023 to October 2025



Source: Trading Economics

According to the latest data, China's Consumer Price Index (CPI) decreased to 0.2% in June 2025 from over 2% inflation rate at the start of 2023. This indicates that the consumer market is generally stable, with prices holding steady. Non-food prices picked up, supported by consumer goods subsidies, with further increases in housing, clothing, healthcare, and education. At the same time, transport cost fell at a slower pace. On the food side, prices dropped at a steeper rate, marking the strongest fall in five months.[1] It is worth noting that China has experienced negative CPI for several months in the first half of the year. In the future, further easing monetary policies may be needed to address the potential deflation risk.

In terms of unemployment rate, China's surveyed unemployment rate dropped to 5% in June 2025, down from 5.5% in December 2022, marking the lowest level in six months. As of the latest reporting period, the urban surveyed unemployment rate across 31 major cities reached 5.2 percent, marking a 0.2 percentage point increase from June yet a slight decline of 0.1 percentage points compared to July 2024. Nationally, average weekly working hours for enterprise employees remained stable at 48.5 hours. From January through July, the average urban surveyed unemployment rate held steady at 5.2 percent, indicating a broadly stable labor market environment.[2] These figures reflect the stability of China's labor market and the employment situation across different regions.

[1] National Bureau of Statistics of China

[2] Trading Economic

HISTORICAL FINANCIAL INFORMATION DISCLOSURE

Financial Statements of the Target Company

For the purpose of this valuation, historical financial statements and forward-looking financial forecast and other records and documents pertaining to the business operations and assets were provided by the Management. We were furnished with the audited financial statements of the Target Company and Project Company for the three years ended 31 December 2023, 31 December 2024 and 31 December 2025, and financial forecast for 2026 – 2034. The audited financial statements of the Target Company and Project Company for the three years ended 31 December 2023, 31 December 2024 and 31 December 2025 are reported on in accordance with Rule 10 of the Code on Takeovers and Mergers (the "**Takeovers Code**"). The financial forecast for 2026 – 2034 has been reported on by the Reporting Accountant and the Financial Advisor in accordance with Rule 10 of the Takeovers Code.

The following tables summarizes the financial statements of the Target Company (consolidated):

Consolidated Income Statement (in RMB)

	Audited For the year ended 31 December 2023	Audited For the year ended 31 December 2024	Audited For the eleven months ended 31 December 2025
Revenue	455,134,640	495,956,707	530,752,057
Less: Cost of revenue (COGS)	(225,049,305)	(300,809,812)	(304,753,458)
Gross profit (GP)	230,085,336	195,146,895	225,998,599
	43%	43%	43%
Less: Operating expenses			
Sales expense	(106,875,219)	(71,161,228)	(77,628,485)
Management expense	(46,685,556)	(60,090,071)	(67,833,950)
Financial expense	–	(112,591)	(239,202)
Operating income	76,524,561	63,783,005	80,296,961
Add: Other incomes			
Non-operating income	1,851,710	5,961,415	4,912,360
Less: Other expenses			
Non-operating expense	(3,353,759)	(2,908,197)	(4,742,120)
Earning before interest and tax (EBIT)	75,022,512	66,836,223	80,467,202
	15%	15%	15%
Add: Interest incomes/(expenses)	1,814,420	1,391,267	1,403,098
Earning before tax (EBT)	76,836,932	68,227,489	81,870,300
Less: Income tax expense	(9,195,593)	(7,363,837)	(9,105,930)
Net profit (NP)	67,641,339	60,863,653	72,764,370

Consolidated Balance Sheet (in RMB)

	Audited As at 31 December 2023	Audited As at 31 December 2024	Audited As at 31 December 2025
Non-current assets			
Investment real estate	1,178,513	1,112,935	1,047,357
Property, plant and equipment	42,549,424	41,729,549	48,912,749
Construction in progress	174,224,175	181,535,699	184,216,745
Intangible assets	9,011,956	8,807,139	8,602,322
Deferred tax assets	3,375,200	3,985,397	4,796,911
	247,576,083	247,576,083	247,576,083
Current assets			
Cash and cash equivalents	70,231,906	157,768,936	25,164,980
Notes and accounts receivable	67,254,471	33,191,437	99,161,746
Prepayments	3,344,644	19,997,122	36,240,724
Other receivables	1,081,246	2,002,785	1,560,091
Inventory	205,632,306	215,891,741	157,690,184
Amount due from a fellow subsidiary	–	–	–
Restricted bank balance	–	–	1,609,568
	347,544,573	428,852,021	321,427,293
Total Assets	569,003,376	569,003,376	569,003,376
Non-current liabilities			
Long term accounts payable	121,484,651	121,484,651	121,484,651
	121,484,651	121,484,651	121,484,651
Current liabilities			
Notes and accounts payable	32,776,303	42,923,775	16,531,018
Advance revenue	5,149,463	43,454,350	16,781,607
Tax payable/(refundable)	1,398,101	1,122,075	–
Other payable	38,272,937	25,726,732	39,857,257
Salary Payable	9,577,899	9,943,752	13,179,312
Accruals	5,171,142	14,979,324	21,483,669
	107,832,863	107,832,863	107,832,863
Shareholder's equity			
Share capital	100,000,000	100,000,000	100,000,000
Reserved fund	269,254,990	306,388,077	239,685,862
	339,685,862	339,685,862	339,685,862
Liabilities and shareholder's equity	569,003,376	569,003,376	569,003,376

The following tables summarizes the financial statements of the Project Company:

Income Statement (in RMB)

	Audited For the year ended 31 December 2023	Audited For the year ended 31 December 2024	Audited For the year ended 31 December 2025
Revenue	455,135,000	495,957,000	530,752,000
Less: Cost of revenue (COGS)	(225,049,000)	(300,810,000)	(304,753,000)
Gross profit (GP)	230,086,000	195,147,000	225,999,000
Less: Operating expenses			
Impairment Loss	5,669,000	(1,103,000)	(2,497,000)
Sales expense	(106,875,000)	(71,161,000)	(77,627,000)
Management expense	(65,426,000)	(63,720,000)	(65,835,000)
Operating income	63,454,000	59,163,000	80,040,000
Less: Other expenses	315,000	(45,047,000)	7,852,000
Financial liabilities in respect of financial guarantees	(13,860,000)	35,632,000	673,000
Non-operating expense	(24,542,000)	(26,580,000)	(29,104,000)
Earning before interest and tax (EBIT)	25,367,000	23,168,000	59,461,000
Add: Interest incomes/(expenses)	(25,522,000)	(34,909,000)	(32,939,000)
Earning before tax (EBT)	(155,000)	(11,741,000)	26,522,000
Less: Income tax expense	(491,000)	470,000	(1,707,000)
Net profit (NP)	(646,000)	(11,271,000)	24,815,000

Balance Sheet (in RMB)

	Audited As at 31 December 2023	Audited As at 31 December 2024	Audited As at 31 December 2025
Non-current assets			
Property, plant and equipment	234,258,000	240,032,000	249,179,000
Right-of-use assets	12,301,000	12,022,000	11,744,000
Investment property	1,179,000	1,113,000	1,047,000
Intangible assets	155,358,000	124,814,000	96,011,000
Goodwill	473,857,000	473,857,000	473,857,000
Deferred tax assets	3,375,000	3,985,000	4,797,000
	880,328,000	855,823,000	836,635,000
Current assets			
Inventories	205,632,000	215,892,000	157,690,000
Trade and other receivables	71,690,000	56,503,000	138,274,000
Amount due from a fellow subsidiary	42,218,000	266,000	6,346,000
Bank balances and cash	70,244,000	157,774,000	25,387,000
Restricted bank balance	–	–	1,610,000
	389,784,000	430,435,000	329,307,000
Total Assets	1,270,112,000	1,286,258,000	1,165,942,000
Non-current liabilities			
Long term Borrowing	196,000,000	–	301,300,000
Trade and other payables – Non-current	–	–	76,485,000
Deferred income	121,485,000	121,485,000	121,485,000
Deferred taxation	44,032,000	36,199,000	28,800,000
Financial guarantees – Non-current	–	–	592,874,000
	361,517,000	157,684,000	1,120,944,000
Current liabilities			
Short-term borrowing	229,300,000	421,300,000	50,000,000
Trade and other payables	113,557,000	197,388,000	127,320,000
Amount due to a fellow subsidiary	224,197,000	179,466,000	179,508,000
Estimated liabilities	1,338,000	139,492,000	131,394,000
Financial guarantees	125,632,000	–	–
Taxation payable	1,398,000	1,122,000	–
	695,422,000	938,768,000	488,222,000
Shareholder's equity			
Share capital	–	–	–
Equity attributable to owners of the Company	(6,554,000)	(34,909,000)	(626,232,000)
Non-controlling interests	219,727,000	224,715,000	183,008,000
	213,173,000	189,806,000	(443,224,000)
Liabilities and shareholder's equity	1,270,112,000	1,286,258,000	1,165,942,000

BASIS OF VALUATION AND ASSUMPTIONS

We have valued the Project Company based on the premise of market value. Market value is defined as the estimated amount at which a property might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts.

Our investigation included discussions with the Management in relation to the history, current and future perspectives and nature of the Project Company, a study of the financial projection of the Project Company provided by the Management (the "**Financial Projection**"), a review of historical consolidated financial statements of the Target Company and Project Company, as well as other relevant documents provided by the Management. In arriving at our opinion of values, we have relied upon such projection, records and documents, as well as financial and business information from public sources, such as S&P Capital IQ. We have discussed with the Management the basis and assumptions upon which the Financial Projection were made and other information related to the Target Company and Project Company. We have assumed that such information and representation provided to us are true and accurate. The valuation procedures we employed were based on generally accepted valuation procedures and practices. Before arriving at our opinion of values, we have considered the following principal factors:

- Identification of the Project Company and its subsidiaries, which is the fact that the Project Company is a drug manufacturer based in the PRC and principally engages in the research and development, production and sale of narcotic and pharmaceutical drugs;
- The nature and prospect of the business operated by the Project Company and its subsidiaries;
- The financial conditions and profitability of the Project Company and its subsidiaries;
- The economic outlook in general and the specific economic and competitive elements affecting the Project Company and its subsidiaries' business, its industries and its market;
- The assets, liabilities and past operating result of the Project Company and its subsidiaries;
- The nature, the regulatory framework and prospect of the industry of the Project Company and its subsidiaries in the PRC;
- The potential of the target markets to be served, which in this case, mainly the PRC market;
- The consolidated financial statements and other information provided by the Management;
- The risks of the business and inherent uncertainties in the Project Company and its subsidiaries' operation; and
- The Financial Projection provided by the Management.

Due to the changing environment in which the Project Company is operating, a number of assumptions have to be established in order to sufficiently support our conclusion of value. The assumptions in relation to the Project Company's future operations adopted in this valuation are:

- There will be no major changes in the existing political, legal, fiscal and economic conditions in the PRC in which the Project Company and its subsidiaries carries on its business;

- There will be no major changes in the current taxation law in the PRC, that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with;

- Exchange rates and interest rates will not differ materially from those presently prevailing;

- The labor market conditions in the PRC will not differ materially from those presently prevailing;

- The Project Company and its subsidiaries will retain competent management, key personnel and technical staff to implement its operational plans;

- According to the Management, the Project Company has not experienced any previous financing issues. In this valuation, future financing is expected to be available on the forecast growth of the Project Company and its subsidiaries' operation;

- We noted that the pharmaceutical license of the Project Company is subject to constant renewal, after clearance of the regulator. The current pharmaceutical license was granted by the government on 13 November 2025 and will expire on 12 November 2030. In this valuation, we have assumed that the Project Company will operate as a going concern and that the future licenses will be successfully renewed, which has been reassured by the Management with high certainty, and the fact that the Project Company has successfully renewed the license historically without delays. We noted that if in the rare case that the pharmaceutical license could not be renewed, the Project Company would not be able to effectively conduct its business.

We were furnished, for the purpose of this valuation, with relevant financial data as well as other records and documents. As of the report date, the audited reports on the financial information as disclosed in this report are available and for the purpose of this valuation, we have relied on the audited financial information. We do not provide assurance on the achievability of the results forecasted by the Management because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of forecasted results is dependent on actions, plans and assumptions of the Management.

VALUATION METHODOLOGY

Valuation Approaches

In arriving at our opinion on the *market value* of the Project Company as at Valuation Date, we have considered three generally accepted approaches, namely *Income Approach*, *Market Approach* and *Cost Approach*. Since each of the Target Holding Companies is a holding company, the market value of the Target Company is calculated by adjusting the market value of the Project Company with assets and outstanding liabilities of the Target Holding Companies which are not related to the Project Company.

Market approach provides an indication of value by comparing the asset with identical or comparable assets for which price information is available. *Market approach* considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect the condition and utility of the valued assets relative to the market comparable(s). Assets for which there is an established used market may be valued by this approach.

Income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined with reference to the value of income, cash flow or cost savings generated by the asset. It is based on the principle that an informed buyer would pay no more for the assets than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent assets with similar risk.

Cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

Selection of Valuation Approach and Method

The Project Company is a pharmaceutical company. Pharmaceutical companies generally are light asset companies with significant values which are not reflected in the balance sheets. Therefore, the adoption of *Cost Approach* is not an appropriate approach to value the underlying business of the Project Company. The *market value* of 100% equity interest in the Project Company is hence developed through the application of *discounted cash flow ("***DCF***") method* which is a method under the *Income Approach*.

Cost Approach is useful for holding company and for company which is to be liquidated. This approach does not focus on the income the asset generates in the future and is not powerful to value those unidentified intangibles' value of a business. Hence, the more intangible assets involved in the business, the more irrelevant the *Cost Approach* and thus the more relevant the other approaches are. In this case, the *Cost Approach* is considered not appropriate, for it does not directly incorporate information about the economic benefits contributed by the business enterprise.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the valued assets relative to the market comparable if necessary and appropriate. Assets for which there is an established secondary market may be appraised by this approach.

The use of multiples in *Market Approach* over-simplifies complex information into just a single value or a series of values, even after adjustments were made. This effectively disregards other factors that affect a company's intrinsic value, such as growth or decline. As such, multiples are unlikely to be a reliable indicator of value and comparisons are not as conclusive. Historically, the revenue growth rate of the Project Company compared to the previous twelve months were 9% for the year ended 31 December 2024 compared to the year ended 31 December 2023, and 7% for the year ended 31 December 2025 compared to the year ended 31 December 2024 is substantially higher than the projected CPI growth in the PRC of around 2% based on data from the Organization for Economic Co-operation and Development (OECD). We have also compared the Project Company's growth rate to that of its comparable companies (choices for comparable companies are described later in this report). The average revenue growth rate, compared to the previous twelve months, as of 31 December 2024 for the comparable companies was 6.7% and 1.3% as of 31 December 2025 (where the latest historical data were publicly available). In light of the above, we are of the view that the Project Company is still in a high growth stage, and that the *Market Approach* may not be the best method to fully reflect the actual situation currently undergoing by the Project Company, as the *Market Approach* does not fully take into account the future economic benefits of the Project Company. As a result, the *Income Approach* was adopted in this valuation.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. Following is a list of the common methods under the *income approach* and their major parameters:

- Conventional discounted cash flow analysis (cash flow forecast, WACC, optimal capital structure, terminal value) (the "**DCF method**");

- Adjusted present value method (all-equity financing base scenario, tax shield, cost of financial distress) (the "**APV method**"); and

- Capitalized earnings/cash flow method (adjusted earnings/cash flows, required rate of return, stabilized growth).

Under the *DCF method*, the forecasted cash flow is discounted back to the valuation date, resulting in a present value of the asset. The key steps in the *DCF method* are:

- Choose the most appropriate type of cash flow for the nature of the subject asset and the assignment (i.e., pre-tax or post-tax, total cash flows or cash flows to equity, real or nominal, etc),

- Determine the most appropriate explicit period, if any, over which the cash flow will be forecast,

- Prepare cash flow forecasts for that period,

- Determine whether a terminal value is appropriate for the Project Company at the end of the explicit forecast period (if any) and then determine the appropriate terminal value for the nature of the asset,

- Determine the appropriate discount rate, and

- Apply the discount rate to the forecasted future cash flow, including the terminal value, if any.

INCOME APPROACH

Income Approach – Discounted Cash Flow Method

We have adopted the discounted cash flow ("**DCF**") method under the *income approach* based on the financial forecast and supporting explanations provided by the Management. We have discounted the Free Cash Flow to Firm ("**FCFF**"), that is, cash flows left over after covering capital expenditure and working capital needs, to estimate the enterprise value of Project Company.

FCFF – Free Cash Flow to Firm

We have discounted the Free Cash Flow to Firm ("**FCFF**"), that is, cash flows left over after covering capital expenditure and working capital needs, to estimate the enterprise value of the Project Company. The formula for FCFF is Net Profit + Depreciation + after-tax interest expenses – capital expenditure – change in working capital. The present value of the sum of FCFF and terminal value is a measure of *market value*.

The FCFF based on *DCF method* discounts the accumulated cash flows to all claimholders in the firm by the weighted average cost of capital ("**WACC**"). The rationale for the DCF model lies in the present value rule – the value of any asset is the present value of expected future cash flows, discounted at a rate appropriate to the risk of the cash flows not being realized. In applying the *DCF method*, there are three critical inputs: i) supportable cash flow projections, ii) an estimate of the terminal value at the end of the forecast period and iii) an appropriate discount rate by which to revert the cash flows to present value.

Cash flow Projections

We have adjusted the Financial Projection into the cash flow projections by applying the FCFF formula. Details of the DCF model is referenced in Appendix 1.

Revenue Projection

The Management projected that the Project Group's products will be in high growth stage from 2026 to 2030, maturity stage from 2031 to 2034, and stability stage from 2035 onwards. According to the Management, the Project Company is projected to achieve a projected revenue of RMB722 million in 2026, and an annual revenue growth rate of 26% – 36% from 2026-2030 (7% in 2025 and 9% in 2024), with the breakdown as follows:

Product	2026	% increase	2027	% increase	2028	% increase	2029	% increase	2030	% increase
Buprenorphine Hydrochloride Injection	17,588,909	-5%	58,431,373	232%	112,984,597	93%	200,000,000	77%	300,000,000	50%
Hydromorphone Injection	6,371,681		15,355,752	141%	55,444,339	261%	119,444,145	115%	200,000,000	67%
Hydrochloride Pseudoephedrine Tablets	42,745,148	56%	52,835,368	24%	77,667,991	47%	114,171,947	47%	237,100,248	108%
Hydrochloride Pseudoephedrine Tablets	23,357,675	-8%	30,031,081	29%	45,046,621	50%	67,569,932	50%	118,248,232	75%
Hydrochloride Pseudoephedrine Tablets	28,382,652	57%	42,290,152	49%	63,012,326	49%	89,288,366	42%	144,651,521	62%
Naloxone Hydrochloride Injection	20,000,000	–	-20,000,000	0%	20,000,000	0%	20,000,000	0%	20,000,000	0%
Other Products	583,861,744	32%	691,164,116	18%	790,782,163	14%	880,646,297	11%	888,634,480	1%
Sub-total of core products	138,446,067	55%	218,943,726	58%	374,155,875	71%	610,474,390	63%	1,020,000,000	67%
Total	722,307,811	36%	910,107,842	26%	1,164,938,037	28%	1,491,120,688	28%	1,908,634,480	28%

The revenue growth figures from 2031 to 2034 are extrapolated showing that the Project Company is transitioning from a high growth stage (2026 to 2030) to a maturity stage (2031 to 2034), and eventually stability stage from 2035 onwards, where revenue growth is generally in line with consumer price index ("**CPI**") growth in the PRC.

As mentioned above, among all the products of the Project Group, there are four core products, namely the Buprenorphine Injection (丁丙諾啡注射液), the Hydromorphone Injection (氫嗎啡酮注射液), the Papaverine Hydrochloride Tablets (鹽酸罌粟鹼片) and the Naloxone Hydrochloride Injection (鹽酸納洛酮注射液), which are expected to, collectively, drive substantial revenue growth of more than 50% each year for the period from 2026 to 2030. The other products are also expected to continue to drive moderate revenue growth for the period from 2026 to 2030 (32% in 2026 and flattened to 1% in 2030).

Details of the products expected to be supporting the expected growth from 2026-2030 are as follows:

(1) Buprenorphine Injection –

Product description:

Buprenorphine Injection exerts its analgesic effect by acting on opioid receptors, and is clinically applicable to the treatment of various acute and chronic pain conditions, including postoperative pain, cancer pain, burn pain, and angina pectoris. It has a low risk of respiratory depression and a lower addictive potential than traditional opioid products, making its clinical use safer and more controllable.

Current status:

It is an existing product in the market. The Project Group commenced commercialisation of the product in 2020. The Project Group has recorded sales of the product of approximately RMB18.6 million in 2025, based on the audited financial statements of the Project Group for the year ended 31 December 2025, representing an approximately 287% increase as compared to the sales of approximately RMB4.8 million in 2024.

Factors driving revenue growth:

(a) Expected inclusion in key lists:

Buprenorphine Injection has been categorized as a first-line or recommended drug by many authoritative industry guidelines and publications in Europe and the Americas such as the Clinical Guidelines for the Use of Buprenorphine in the Treatment of Opioid Use Disorder published by Substance Abuse and Mental Health Services Administration of the United States (美國藥物濫用和精神衛生服務管理局) in 2021, the Canadian Clinical Practice Guidelines for Opioid Use Disorder published by Canadian Association of Addiction and Mental Health (加拿大成癮與精神衛生協會) in 2023 and the Guideline on the Use of Buprenorphine for Opioid Dependence published by European Medicines Agency (歐洲藥品管理局) in 2022 and is one of the most widely used opioids abroad such as Europe and the United States. Buprenorphine has been included in the World Health Organization (WHO) Model List of Essential Medicines since 2005.

However, Buprenorphine Injection is not yet on the National Essential Drug List (as defined below). According to the PRC National Health Commission's response to the PRC National People's Congress's suggestion in September 2025, the "National Essential Medicines List Management Measures (Revised Draft)" (the "**Measures**") was basically completed. The Measures stipulated that the selection of essential medicines shall be determined based on the principle of clinical first choice, with reference to, among other things, international experience. It is highly likely that Buprenorphine Injection will be included in the National Essential Drug List because buprenorphine has already been included in the WHO Model List of Essential Medicines, and Buprenorphine Injection has been highly recommended as the first-choice medication for clinical use by authoritative institutions in countries and regions such as the United States, Europe, and the United Kingdom. Therefore, Buprenorphine Injection closely aligns with the selection criteria outlined in the Measures. China's overall direction of medical development is consistent with that of developed countries internationally.

According to relevant regulations, basic healthcare institutions funded by government, which primarily include county-level hospitals, county-level Chinese medicine hospitals, rural clinics and community clinics, shall store up and use drugs listed in the National Essential Drug List. The drugs listed in the National Essential Drug List shall be purchased by centralized tender process and shall be subject to the price control by the National Development and Reform Commission of the PRC. Subsequently, Buprenorphine Injection can be included in the Medical Insurance Catalog (as defined below) because it is with high probability that remedial drugs in the National Essential Drug List (which would include Buprenorphine Injection if it is added to such list) will be listed in the Medical Insurance Catalog and the entire amount of the purchase price of such drugs is entitled to reimbursement. The National Essential Drug List serves as a priority gateway for drugs to enter medical insurance coverage, facilitating hospital access and providing policy-driven sales momentum. For enterprises, the dual policy support from the essential drug list and medical insurance serves as a powerful driver for pharmaceutical sales.

The Project Group commenced commercialization of the product in 2020. The Project Group has recorded sales of the product of approximately RMB18.6 million in 2025, based on the audited financial statements of the Project Group for the year ended 31 December 2025, representing an approximately 287% increase as compared to the sales of approximately RMB4.8 million in 2024. The sales in the first few years of commercialization have been limited by the fact that Buprenorphine Injection has not yet been added to the National Essential Drug List and the Medical Insurance Catalog, as a result of which the early commercial promotion did not achieve effective conversion, the number of products sold to hospitals was small, and the vast majority of doctors did not have access to the drug, even if they wanted to use the drug. In 2025, the Project Group sold the product to 11 public hospitals only. However, once Buprenorphine Injection is added to the National Essential Drug List and the Medical Insurance Catalog, there will be exponential growth in hospitals using the drug, achieving exponential growth in sales.

Notes:

"**National Essential Drug List**" means the National Essential Drug List (國家基本藥物目錄) promulgated by the National Health Commission and National Administration of Traditional Chinese Medicine, which is a list of essential drugs primarily intended to meet basic medical treatment needs, with appropriate dosage forms, reasonable prices, and guaranteed supply. The allocation requirements (being the proportion of essential drugs used by the hospital as compared to the total number of drugs used by the hospital) imposed by the National Health Commission on public hospitals of different levels are: no less than 90% for primary hospitals, no less than 80% for secondary hospitals, and no less than 60% for tertiary hospitals.

"**Medical Insurance Catalog**" means the National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《國家基本醫療保險、工傷保險和生育保險藥品目錄》), which was promulgated by The National Healthcare Security Administration (國家醫療保障局) and the Ministry of Human Resources and Social Security and took effect on November 27, 2024 and revised on January 6, 2025, and which sets forth the categories, prices, reimbursement rates, and scope of reimbursement eligible for national reimbursement, and is adjusted once a year.

(b) Advantages of Buprenorphine Injection compared to other analgesic products

Buprenorphine Injection possesses numerous significant product advantages, as compared to other analgesic products. It is suitable for various pain management applications, including surgical analgesia, cancer pain, and neuropathic pain. Buprenorphine injection is currently the only four-target drug, an analgesic that targets four types of receptors (μ receptor, κ receptor, δ receptor, ORL1 receptor). While providing potent analgesia (approximately 70 times more effective than morphine), it also (1) does not cause respiratory depression, effectively addressing clinical pain points; (2) is not metabolized by the kidneys, requiring no dose adjustment during use; and (3) does not cause immunosuppression, effectively resolving clinical problems. According to IQVIA HOLDINGS INC. ("**IQVIA**"), a company incorporated in Delaware and the shares of which are listed on the New York Stock Exchange (NYSE: IQV), which is a global provider of advanced analytics, technology solutions, and clinical research services to the life sciences industry, Dezocine Injection, with almost identical indications to Buprenorphine Injection but with far less clinical value, had a market size of approximately RMB1.2 billion in 2024. Buprenorphine Injection's advantages have the potential to replace the market share of Dezocine Injection. As can be seen from the table of comparison below, the analgesic effect of Buprenorphine Injection is much stronger than that of Dezocine Injection, but the side effects of Buprenorphine Injection are much less than those of Dezocine Injection (source: Dongfang):

	Analgesic intensity (effect)	Incidence of nausea and vomiting	Incidence of excessive sedation (e.g., falling into a coma)	Incidence of dizziness/ vertigo	Injection site reaction rate
Buprenorphine Injection	50 times that of morphine	<1%	No	<1%	No
Dezocine Injection	1/7 to 1/10 of morphine	3%-9%	3%-9%	1%-3%	3%-9%

In addition, Dezocine Injection was launched in the US but was not accepted by the US market and had been withdrawn from the market, according to the information published on the US Food and Drug Administration. In China, Dezocine Injection has been included in the National Key Monitoring List (國家重點監控目錄), and its use is strictly controlled. The product is being rapidly withdrawn from the market. Therefore, Buprenorphine Injection is expected to replace the market share of Dezocine Injection, which is neither on the WHO Model List of Essential Medicines nor on the National Essential Drug List.

(c) Huge Chinese market size:

According to Zhiyanzhan Industry Research Institute (智研瞻產業研究院), a consulting firm specializing in market research and industry analysis in China, the PRC analgesic industry (comprising all kinds of analgesic products including potent opioid analgesics) is projected to grow at a rate of 6%-8% annually from 2024 to 2030, reaching a market size of RMB210 billion in 2030. Currently, the size of the market in the PRC for potent opioid analgesics, such as Buprenorphine Injection and other buprenorphine products, exceeds RMB15 billion (source: IQVIA). In addition, according to the "China Buprenorphine Market Research and Development Prospect Forecast Report 2025" released by BGES Consulting (a market research firm whose core business involves publishing industry research reports covering various fields. Its research areas are extremely broad, including industry research and analysis in sectors such as healthcare), the PRC buprenorphine market size (including Buprenorphine Injection and other buprenorphine products) is projected to reach approximately RMB12.4 billion by 2025 and RMB18.2 billion by 2030. As mentioned in the next paragraph, currently, there are only two designated manufacturers (including the Project Company) for Buprenorphine Injection in China.

(d) High entry barrier:

Buprenorphine Injection is a Class I psychotropic drug (一類精神藥品). According to national regulations, the statutory maximum number of designated manufacturers for Class I psychotropic drug such as the Buprenorphine Injection is five. Currently, there are only two designated manufacturers (including the Project Company) in China. The designation is granted on five-year terms, renewable upon review by the National Medical Products Administration (provincial level). A search of the National Medical Products Administration (NMPA) system revealed that no other Buprenorphine Injection manufacturer application is pending as of date of this report. The entry barrier is expected to continue to be high taking into account the heavy reliance of this product on the ability of the manufacturer to have stable production of buprenorphine raw materials, and only very few companies in China would be able to do so. According to publicly available information on the Center for Drug Evaluation of the National Medical Products Administration, the Project Company is the only manufacturer and distributor of morphine products in China. Such product, along with buprenorphine, belong to the class of psychotropic drugs and are widely used in hospitals as essential medicines in China. The Project Group has a significant advantage in sales channels compared to its competitor.

(e) Sales efforts of the Project Group:

The Project Group is widening the sales and marketing channel in relation to its products, including this product. The Project Group plans to expand its professional sales and marketing team by 100 people by 2026 (the "**Enlarged Marketing Team**"). The Enlarged Marketing Team will target hospitals across China in the promotion.

As explained below, the Papaverine Hydrochloride Tablets produced by the Project Group were added to the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province) in 2025, whereby the government promotes the access of procured drugs to public hospitals through policies. Approximately 20,000 public hospitals are involved in such centralized procurement system. According to the Policy Interpretation of the "Notice from the National Medical Insurance Bureau and the National Health Commission on Improving the Mechanisms for Pharmaceutical Centralized Procurement and Implementation" 《國家醫保局國家衛生健康委員會關於完善醫藥集中帶量採購和執行工作機制的通知》政策解讀, regarding hospital use, local authorities are required to begin screening and reviewing each batch of centralized procurement in the third month of implementation, urging medical institutions to complete the hospital access process as soon as possible (在進院使用方面，要求地方在各批次集採執行第3個月開始排查梳理，督促醫療機構儘快完成進院工作). On this basis, all 20,000 public hospitals in the centralized procurement system that have procurement needs for products should comply with the policy requirements for procurement and place orders for the products. However, the Project Group will not only rely on such policy support. Considering the fostering of long-term cooperation with hospitals, the Project Group will, through the Enlarged Marketing Team, positively interact with the hospitals with a view to promote its products to the hospitals. Such products would include not only Papaverine Hydrochloride Tablets (which has been added to the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province) in 2025), but also other products of the Project Group, including Buprenorphine Injection and Hydromorphone Injection. The Project Group, taking into account prevailing industry standards, has conservatively estimated that 10% of the public hospitals (approximately 1,700 to 2,200 public hospitals) will have access to the Project Group's promoted products during each year from 2026 to 2030.

With the clinical and commercial value of the product already verified in developed countries in Europe and the Americas, as well as the highly expected imminent inclusion of the product on the National Essential Drug List and the Medical Insurance Catalog, it is expected that the Project Group will be able to capture substantial revenue from the sales of Buprenorphine Injection.

As mentioned above, it is expected that 1,700-2,200 new hospitals will have access to the Project Group's promoted products during the five-year period from 2026 to 2030. On the basis of (1) the numerous significant product advantages of Buprenorphine Injection, as compared to other analgesic products, as described above, (2) the inclusion of the product in the National Essential Drug List and the Medical Insurance Catalog (which is highly expected as explained above), and (3) the promotion efforts of the Project Group through the Enlarged Marketing Team, it is estimated that 20% of such 1,700 to 2,200 hospitals could become customers of the Project Group for the product.

As mentioned above, the Project Group has recorded sales of the product of approximately RMB18.6 million in 2025. Such sales were based on the existing 11 public hospitals, resulting in an annual sales rate of RMB900,000 per hospital. Assuming a conservative 20% conversion rate for new hospitals per year based on the lower range of 1,700 hospitals, approximately 340 new hospitals could become customers of the Project Group. Based on an annual sales rate of RMB900,000 per hospital, it is expected that such 340 new hospitals will result in an annual sales of approximately RMB306 million.

However, taking a conservative approach, the Management has set a gradually increasing sales target for the Project Group of approximately RMB17 million, RMB58 million, RMB113 million, RMB200 million, and RMB300 million from 2026 to 2030, translating to the number of hospitals achieving conversion of approximately 20, 65, 125, 220 and 340 from 2026 to 2030, respectively, with the conversion rate of 1%, 4%, 7%, 13% and 20% respectively on the basis of the lower range of 1,700 hospitals. Such gradual conversion rate adheres to the principle of prudence and is reasonably achievable.

(2) Hydromorphone Injection –

Product description:

The Hydromorphone Injection is a product mainly for analgesic treatment, managed as a narcotic drug.

Current status:

This is an existing product in the market (which was first introduced to the market in 2013), and is on the Medical Insurance Catalog. The Project Company is progressing the research of this pipeline smoothly and it is expected to obtain registration approval in the middle of 2026. Please see below for further details.

Factors driving revenue growth:

(a) Market landscape and product features:

According to data from Menet (米內網) ("**Menet**") (a leading platform for pharmaceutical and healthcare information, providing comprehensive pharmaceutical and healthcare information to professionals in the pharmaceutical industry, including pharmaceutical news, recruitment, R&D, exhibitions and data), the sales of Hydromorphone Injection in public medical institutions in China was approximately RMB140 million in 2019, and the sales exceeded RMB700 million in 2024, with an average annual compound growth rate over the past five years of approximately 40%. Based on this calculation, the overall market size is expected to reach RMB1.3 billion by 2030.

The reason for the growth in the sales of Hydromorphone Injection in Chinese public medical institutions is attributable to the special features of the product, namely strong analgesia, relatively rapid onset of action, lower side effects and higher titration efficiency.

(b) Imminent launch:

The Project Company has submitted the new product's R&D supplementary application to the Center for Drug Evaluation (CDE) of the National Medical Products Administration (國家藥品監督管理局) in November 2025. The Project Company has completed the necessary additional research, data analysis, and documentation required in response to the questions posed by the review body, and has formally submitted its responses, awaiting approval from the reviewer. Additionally, there is no need for further clinical trials at this stage. The Management expects that the Project Group will obtain the registration approval for the product in mid-2026 and expects that the Project Group will commence commercialization of the product in 2026.

(c) High barrier to entry:

According to PRC regulations (《國家藥監局關於發佈麻醉藥品和精神藥品實驗研究管理規定的公告(2025年)第51號》,附件2《麻醉藥品和精神藥品生產企業數量規定》), the maximum number of designated manufacturers for narcotic drugs such as Hydromorphone Injection is three, limiting the supply of this product. Currently, there are only two designated manufacturers in the market, and the Project Company is already at the last stage of obtaining the permits to be the third designated manufacturer. Upon receiving the registration approval for the product, the Project Company would be approved as the third manufacturer. At this stage, no further documents need to be submitted by the Project Company in connection with the application. To the knowledge of the Management, no other company has applied to be the third designated manufacturer. It is therefore expected with high probability that the Project Company will be the third designated manufacturer, taking into account the fact that the Management expects that the Project Company will obtain the registration approval for the product in mid-2026, and no other company has applied to be the third designated manufacturer to the knowledge of the Management. The designation is granted on five-year terms, renewable upon review by the National Medical Products Administration (provincial level).

Once the Project Company is designated as the third manufacturer, and subject to obtaining the registration approval as mentioned above, the Project Group can commence production and the Project Group can leverage its existing sales channels for other narcotic drugs (approximately 3,500 public hospitals in China) in the sales of the product to the market. The Management considers that despite its entry into the market as the third manufacturer, it is not in a disadvantaged position as compared with its competitors in terms of cost of production and distribution channels and will be able to gain market share together with its competitors, given that the Project Company has already established a strong foothold in the pharmaceutical market in the PRC with developed distribution channels and extensive sales experience in other drugs, which would be equally applicable to the sales of Hydromorphone Injection.

As mentioned above, the Management expected that 1,700-2,200 new hospitals will have access to the Project Group's promoted products during the five-year period from 2026 to 2030. On the basis of (1) the numerous significant product advantages of Hydromorphone Injection as described above, and (2) the promotion efforts of the Project Group through the Expanded Marketing Team, it is estimated that 20% of such 1,700 to 2,200 hospitals could become customers of the Project Group for the product.

Based on information available to the Management, the annual average hospital sales of Hydromorphone Injection of an existing competitor is approximately RMB700,000 per hospital. Assuming a conservative 20% conversion rate for new hospitals per year based on the lower range of 1,700 hospitals, approximately 340 new hospitals could become customers of the Project Group. Based on an annual sales rate of RMB700,000 per hospital, this is expected to generate an estimated annual sales volume of approximately RMB200 million.

However, taking a conservative approach, the Management has set a gradually increasing sales target for the Project Group of approximately RMB6.4 million, RMB15 million, RMB55 million, RMB119 million, and eventually RMB200 million in each year from 2026 to 2030, translating to the number of hospitals achieving conversion of approximately 9, 22, 80, 170, and 340 from 2026 to 2030, respectively, with the conversion rate of 1%, 1%, 5%, 10% and 20% respectively based on the lower range of 1,700 hospitals. Such gradual conversion rate adheres to the principle of prudence and is reasonably achievable.

(3) Papaverine Hydrochloride Tablets –

Product description:

It is mainly used to treat ischemia caused by cardiovascular spasm or peripheral vascular spasm, or spasms of internal organs such as the gallbladder, kidneys, and gastrointestinal tract.

Current status:

Papaverine Hydrochloride Tablet is an existing product in the market, and is on the Medical Insurance Catalog. The Project Group has already commenced commercialization of the product in 2010. However, it is not until recent years when the market conditions have become favourable (details of which are set out in paragraph (c) below) that the Project Group has started putting more resources on the sales of Papaverine Hydrochloride Tablet as a core product. With more resources put on the sales of Papaverine Hydrochloride Tablet as a core product, the Project Group has recorded sales of the product of approximately RMB70.9 million in 2025 (based on the audited financial statements of the Project Group for the year ended 31 December 2025), representing an approximately 72% increase as compared to the sales of approximately RMB41.2 million in 2024.

Factors driving revenue growth:

(a) Huge Chinese market size and gradual replacement of Papaverine Hydrochloride Injections by Papaverine Hydrochloride Tablets:

The market size of Papaverine Hydrochloride Injection in public hospitals in China reached RMB3 billion annually in 2023, sourced from Top 100 Drugs by Sales Revenue in Hospitals and Retail Pharmacies in the First Half and Q2 of 2023 published by IQVIA, in September 2023, which proves the clinical acceptance of this product. According to the same report, the growth rate of papaverine products is approximately 20% annually. Based on this calculation, the market size of papaverine products is expected to reach RMB8 billion by 2030.

In recent years, the market share and sales of Papaverine Hydrochloride Injections have been declining due to factors such as side effects and price reductions from centralized procurement. The side effects of Papaverine Hydrochloride Injections include skin and subcutaneous tissue (such as rashes and itching), systemic reactions (such as coldness, fever and pain), nervous system issues (such as dizziness and headache), cardiovascular system issues (such as chest pain, low blood pressure or hypertension) and other issues involving liver and gallbladder system, immune system and respiratory system. Papaverine Hydrochloride Tablets, as a safer option with fewer side effects, have made significant progress in replacing injections. In May 2024, based on post-marketing clinical feedback, the NMPA updated the instructions for Papaverine Hydrochloride Tablets and Papaverine Hydrochloride Injections. Papaverine Hydrochloride Injections received several new side effects, while Papaverine Hydrochloride Tablets have not. For safety reasons, in hospitals that stock Papaverine Hydrochloride Tablets, clinicians switched some patients from Papaverine Hydrochloride Injections to Papaverine Hydrochloride Tablets. According to Yaozhi, in the first half of 2025, sales volumes of Papaverine Hydrochloride Injections in China decreased of 5.28 million units. representing a 12% decrease as compared to the same period in 2024, while in the first half of 2025, the Project Company, as the only manufacturer that has obtained the necessary permits for the manufacturing of Papaverine Hydrochloride Tablets in China, recorded an increase of 0.59 million bottles in sales of Papaverine Hydrochloride Tablets, representing a 102% increase as compared to the same period in 2024.

(b) Project Company as the exclusive manufacturer in the PRC:

Currently, the Project Company is the only manufacturer that has obtained the necessary permits for the manufacturing of Papaverine Hydrochloride Tablets in China. A search of the National Medical Products Administration (NMPA) system revealed that no other Papaverine Hydrochloride Tablets manufacturer application is pending as of date of this report. The entry threshold for Papaverine Hydrochloride Tablets relies on reference formulations, but there are no nationally recognized reference formulations available in the market. In view of the foregoing, the other companies will not be able to enter into this market because they have no reference formulation to rely on and hence would not be able to develop this product.

(c) Distribution through the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province):

The Papaverine Hydrochloride Tablets produced by the Project Group were added to the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province) in October 2025, with an implementation term of three years from 2026 to 2028. 22-Province Alliance Centralized Procurement System (Led by Guangdong Province) is the provincial-level alliance procurement of pharmaceuticals, jointly initiated by Guangdong and 21 other provincial-level administrative regions, which is a centralized volume-based procurement model for drugs with high clinical usage and high procurement costs. Pharmaceutical distributors compete through negotiation or bidding, with the goal of reducing drug prices under government guidance. All public medical institutions within the alliance region are required by policy to allocate no less than 70-80% of their market share to the successful bidders. As the exclusive manufacturer of the product in China, it is likely that the Papaverine Hydrochloride Tablets produced by the Project Group will be able to continue to win bid if opened in future. The 22-Province Alliance Centralized Procurement System (led by Guangdong Province) refers to the expansion and coordination of the government's Volume-Based Procurement (VBP) program, where provincial governments group together to purchase pharmaceuticals and medical consumables in massive volumes, leveraging their combined buying power to force significant price reductions from suppliers, aiming to lower healthcare costs, fight corruption, and promote efficient, high-quality drug supply. Through the addition of the product to the procurement system, it is expected that 1,700-2,200 new hospitals will have access to the product each year, resulting in a significant breakthrough in market access and sales volume, based on the following:

(A) In China, public hospitals are government-run institutions directly under government management. Their drug selection must comply with government policies. Hospital decision-making bodies are bureaucratic and tend to conform to the policies of government authorities;

(B) The Papaverine Hydrochloride Tablets produced by the Project Company were added to the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province) in 2025. The government promotes the access of procured drugs to public hospitals through policies. Approximately 20,000 public hospitals are involved in such centralized procurement system. According to the Policy Interpretation of the "Notice from the National Medical Insurance Bureau and the National Health Commission on Improving the Mechanisms for Pharmaceutical Centralized Procurement and Implementation"《國家醫保局國家衛生健康委員會關於完善醫藥集中帶量採購和執行工作機制的通知》政策解讀, regarding hospital use, local authorities are required to begin screening and reviewing each batch of centralized procurement in the third month of implementation, urging medical institutions to complete the hospital access process as soon as possible (在進院使用方面，要求地方在各批次集採執行第3個月開始排查梳理，督促醫療機構儘快完成進院工作). On this basis, all 20,000 public hospitals in the centralized procurement system that have procurement needs for products should comply with the policy requirements for procurement and place orders for the products.

(C) The Papaverine Hydrochloride Tablets are primarily used to treat diseases caused by vascular or visceral smooth muscle spasms. There is a clear clinical role and demand for its use in public hospitals. On the basis of the product's own clinical value, and leveraging the aforementioned policy support and through active promotion by the Project Group's Enlarged Marketing Team, the Management, taking into account prevailing industry standards, has conservatively estimated that 10% of the public hospitals (approximately 1,700 to 2,200 public hospitals) will place orders for Papaverine Hydrochloride Tables during each year from 2026 to 2030.

In 2025, the Project Group generated sales volume of Papaverine Hydrochloride Tablets of RMB70.9 million from 200 Grade A tertiary hospitals, resulting in an annual sales rate of RMB350,000 per hospital (based on the audited financial statements of the Project Group for the year ended 31 December 2025). Assuming that the lower range of 1,700 hospitals will be using the product, the Project Group would be able to generate sales of over RMB500 million per year.

On the basis of the foregoing, and taking a conservative approach, the Management has set a gradually increasing sales target for the Project Group of approximately RMB94 million, RMB125 million, RMB186 million, RMB271 million, and eventually RMB500 million in each year from 2026 to 2030, translating to the number of hospitals of approximately 260, 350, 530, 770 and 1,700 from 2026 to 2030, respectively. Such gradual increase in hospital sales adheres to the principle of prudence and is reasonably achievable.

(4) Naloxone Hydrochloride Injection –

Product description:

Naloxone Hydrochloride Injection is a vital medication used to rapidly reverse the life-threatening effects of an opioid overdose due to opioid anesthetics or natural overdose, primarily respiratory depression.

Current status:

It is an existing product in the market (which was first introduced to the market in 1990), and is on the National Essential Drug List and the Medical Insurance Catalog. The Project Company has obtained a certificate of consistency evaluation in 2025, which is an approval of quality, for the product. The Project Company has commenced the manufacturing of the product, and expects to commence commercialization of the product in 2026.

Factors driving revenue growth:

(a) Growing market:

According to the data from Menet, in 2021 to 2023, the national market size of this product was approximately RMB264 million, RMB413 million, RMB535 million, representing an annual compound growth rate over such three-year period of approximately 43%. Taking a conservative approach, the market of this product is expected to grow at a rate of 10% each year, reaching a market size of over RMB1 billion in 2030. The reasons for the market growth or a growing need for this product are twofold:

– As China's population ages, the number of hospitalizations and surgeries will continue to increase, reaching 82 million in 2024, a growth rate of approximately 7%, sourced from Statistical Bulletin on the Development of Health and Wellness (2022-2024)), and is expected to maintain rapid growth in the long term. Correspondingly, the use of opioid analgesics during surgery will continue to increase, as will the number of patients experiencing severe opioid side effects. As the "gold standard" drug for treating severe opioid side effects, the usage of Naloxone Hydrochloride Injection will also continue to increase.

– Cardiovascular and cerebrovascular diseases have become the leading cause of death in China, accounting for approximately 47% of all deaths. Age is a high-risk factor for these diseases, and with the aging population, the number of patients suffering from them will continue to increase. As a commonly used drug for resuscitation after cardiac arrest and after coma, the dosage of Naloxone Hydrochloride Injection will continue to increase with the growth of the patient population.

(b) Advantage in gaining a market share:

The Project Company has obtained a certificate of consistency evaluation in 2025, which is an approval of quality, making it one of the few companies in China qualified to participate in the national centralized procurement (a government-led bulk purchasing strategy where the government-led medical institutions buy drugs collectively). Currently, there are only 19 manufacturers of Naloxone Hydrochloride Injection in China (including the Project Company) which have passed the consistency evaluation. According to the centralized procurement rules, only companies with such certificates of consistency evaluation would be permitted to participate in the centralized procurement. As the Project Company has obtained a certificate of consistency evaluation for Naloxone Hydrochloride Injection, the product produced by the Project Company will be of no difference to the same products produced by other manufacturers with certificates of consistency evaluation and equally acceptable to the government-led medical institutions in the national centralized procurement.

In 2024, out of the manufacturers of Naloxone Hydrochloride Injection with certificates of consistency evaluation, only 7 companies achieved effective cost control to manufacture Naloxone Hydrochloride Injection at a cost less than the price set by the government to participate in the national centralized procurement. The Project Group has a cost advantage in manufacturing Naloxone Hydrochloride Injection, taking into account the production capacity of the Project Company in achieving large-scale production resulting in a production cost lower than the lowest winning bid price of Naloxone Hydrochloride Injection in the national centralized procurement in 2024. In 2024, the smallest manufacturer (among the 7 companies mentioned above which have achieved effective cost control) which participated in the national centralized procurement captured a market share of 8-9% (source: 《第十批國家組織藥品集中帶量採購》published by the National Healthcare Security Administration). Taking a conservative approach, the Management expected that the Project Group could capture a 5% market share with annual sales of approximately RMB50 million (being RMB1 billion x 5%) in 2030. However, based on a more conservative approach, the Management has set an annual sales revenue of the Project Group of RMB20 million for this product for each year during the period from 2026 to 2030. The Management considers that despite the Project Group's entry into the market later than the other manufacturers, it will be able to capture a market share through the national centralized procurement, as there is stable demand for the product from the government-led medical institutions under the national centralized procurement. For so long as the Project Group continues to meet the criteria for participating in the national centralized procurement leveraging on its production capability, sales contracts will be awarded to the Project Group under the national centralized procurement.

(5) Other Products

For other products, historically, revenue increased by 12.5% year-on-year in 2024 compared to 2023, and decreased by 2% year-on-year in 2025. While the other products are expected to continue to drive revenue growth for the period from 2026 to 2030, the collective growth rate of the other products (32% in 2026 to 1% in 2030) is less than that of the core products (more than 50% for each year from 2026 to 2030) taking into account factors including the product attributes and clinical value, number of years of commercialization, number of substitutes available, market landscape and regulatory requirements. With the exception of two products, all of the other products have been commercialized by the Project Company and have track record of an average of 5 years and are expected to enter into a stabilization period starting 2030. Leveraging the existing sales network and with the assistance of the expanded sales team of the Project Company, the Project Company estimates an annual growth in sales target of 32%, 18%, 14%, 11% and 1% during the period from 2026 to 2030. The below shows details of other products and their status:

- Dihydrocodeine Tartrate Tablet: Dihydrocodeine Tartrate Tablets are classified as a Class B drug under the Medical Insurance Catalog. They are primarily used to relieve moderate to severe pain. They are an existing product in the market and have been commercialized by the Project Company. Currently, the Project Company is the only manufacturer of such product in China.

- Noscapine Tablets: Noscapine Tablets are over-the-counter (OTC) product, with excellent cough-suppressing effects, similar to codeine (the most potent cough suppressant). It is recommended as a first-line treatment for coughs by medication guidelines, and its brand recognition and efficacy are widely recognized by doctors and patients. They are an existing product in the market and have been commercialized by the Project Company. Currently, the Project Company is the only manufacturer of such product in China.

- Allylmorphine injection: Allylmorphine Injection is classified as a Class A drug under the Medical Insurance Catalog. It is used to treat respiratory depression, hemodynamic fluctuations, and coma caused by opioid poisoning. It is primarily used for surgical patients and in ICU departments, and is a product with significant clinical and commercial value. It is an existing product in the market and has been commercialized by the Project Company. Currently, the Project Company is the only manufacturer of such product in China.

- Other general medicines: The products mainly include analgesics and cough suppressants produced by the Project Company. The active pharmaceutical ingredients mainly include noscapine, morphine phosphate, morphine sulfate, opium powder, etc., and the products mainly include compound glycyrrhiza tablets, codeine and platycodon tablets.

Based on the above growth factors driven by the products of the Project Group, the Management expects an annual revenue growth rate of 26-36% in the high growth period from 2026 to 2030. While the Management believes that the growth rate is achievable, we believe that there are certain risks or probabilities that this projection could not be achieved. Such risks are reflected by applying additional company specific risks to the Financial Projection as part of the discount rate applied in the discounted cash flow. Such company specific risks will be discussed in more detail later in this report.

Gross Profit Margin

The Project Company is projected to achieve a gross profit margin of around 43%, which is based on historical performances (46% in 2025, 39% in 2024 and 51% in 2023) as a reference, which shows that the gross profit margin has remained stable over at least the past two years. Gross profit margin is expected to further increase as scale expands and new products are expected to enter the market after 2025, but for the sake of prudence, we chose to be more conservative. Gross profit margin is calculated as the projected gross profit divided by the projected revenue.

Net Profit Margin

The Project Company is projected to achieve a net profit margin of around 14%, which is based on historical performances (15% in 2025, 12% in 2024 and 15% in 2023) as a reference, which shows that the net profit margin has remained stable over at least the past two years. Net profit margin is expected to further increase as scale expands and new products are expected to enter the market after 2025, but for the sake of prudence, we chose to be more conservative. Net profit margin is calculated as the projected net profit divided by the projected revenue.

Capital Expenditures

Capital expenditures are related to the maintenance of existing fixed assets and is expected to remain constant. Expected increase in expense is shown under operating expenses, which mainly consist of sales and distribution costs and further research costs, as already shown in the Financial Projection, is expected to increase by 339% from 2026 to 2034.

Terminal Value

To estimate the terminal value of the Project Company for year 2035 onwards, we have used the Gordon Growth Model. This model is used to assess the terminal value of firms that are growing at a stable growth rate and relates the value to its expected cash flows in the next time period, the required rate of return and the expected growth rate.

Terminal Value $= CF_{n+1}/(r - g)$
Where:
CF_{n+1} *= Expected cash flows one year from nth year*
r *= Required rate of return. (i.e. discount rate)*
g *= Growth rate perpetual*

For year 2035 onwards, as the Project Company is expected to achieve a stable growth rate. We have assumed that the earnings of the Project Company would reach a stable growth rate of 2.0%, which was the average CPI growth for the PRC for the past 15 years, according to historical CPI data sourced from the National Bureau of Statistics of China.

Discount Rate Development

The Weighted Average Cost of Capital ("**WACC**") was adopted as the discount rate for valuation. It is the required return on the capital investment of the Project Company. The cost of capital will be different for each source of capital and class of securities. The WACC is the weighted average of the costs of each of the different types of capital, and the weights are proportion of Project Company's capital that comes from each source. The WACC of 12.99% was computed using the following formula:

$$WACC = R_e (E/V) + R_d (D/V) (1 - T_c)$$

Where:
WACC = weighted average cost of capital
R_e = cost of equity
R_d = cost of debt
E = value of the firm's equity
D = value of the firm's debt
V = sum of the values of the firm's equity and debt
E/V = weight of equity
D/V = weight of debt
T_c = corporate tax rate

I. Cost of Equity

The cost of equity of 6.14% was determined using the Capital Asset Pricing Model ("**CAPM**") which describes the relationship between the risk of a particular asset, its market price and the expected return to the investor, that investors required additional return to compensate additional risk associated by the following formula:

$$R_e = R_f + \beta * MRP + SCRP + CSP$$

Where:
R_e = cost of equity
R_f = risk-free rate
β = beta coefficient
MRP = market risk premium
SCRP = small capitalization risk premium
CSP = company specific premium

A. R_f

In line with market practice for investments denominated in Renminbi, the yield rate of 10-years China government bond of 1.84% was adopted as the risk-free rate (R_f).

B. ß

The beta coefficient (ß) measures the risk of an asset relative to the overall market. It reflects the sensitivity of an asset's value to economic variables or risks that affect the values of all risky assets, including economic growth rates, interest rates, exchange rates and inflation rates. Beta for the Project Company was estimated by taking the average of the betas of the five companies listed in the section headed "Selection of Comparable Companies" below (i.e. comparable companies), adjusting for differences in corporate tax rates and leverage compositions.

The betas of the comparable companies were adjusted using a generally accepted formula which is based on the assumption that a security's beta moves toward the market average over time. The unlevered beta was calculated to consider the differences in corporate tax rates and leverage compositions of the comparable companies. The unlevered beta removes the effects of the use of leverage on the capital structure of a firm. Removing the debt component allows an investor to compare the base level of risk between various companies.

The average of the unlevered betas of the comparable companies of 0.78 was then being re-levered to 0.82 with reference to the 94.32% equity and 5.68% debt being the average debt to equity ratio of the comparable companies set out below.

The below table shows the debt to equity ratios and beta information of the comparable companies, sourced from S&P Capital IQ:

Comparable Companies	Ticker	Reporting Currency	Market Capitalization (in million)	Market Value of Preferred Stock (in million)	Outstanding Interest-Bearing Debt (in million)	Total Debt as % of MVIC	Market Equity as % of MVIC	Debt to Equity Ratio	Effective Tax Rate	Adjusted Beta	Unlevered Beta
Jiangsu Nhwa Pharmaceutical Co., Ltd.	002262 CH Equity	CNY	25,328,055,619	0	46,723,245	0.18%	99.82%	0.18%	25.00%	0.7267	0.7257
Jiangsu Hengrui Pharmaceuticals Co., Ltd	600276 CH Equity	CNY	416,534,149,413	0	82,438,787	0.02%	99.98%	0.02%	25.00%	0.9538	0.9537
Hubei Jumpcan Pharmaceutical Co., Ltd.	600566 CH Equity	CNY	24,179,333,254	0	726,036,765	2.92%	97.08%	3.00%	25.00%	0.8968	0.8770
Haisco Pharmaceutical Group Co., Ltd.	002653 CH Equity	CNY	60,336,629,708	0	2,320,806,365	3.70%	96.30%	3.85%	25.00%	0.6884	0.6691
Humanwell Healthcare (Group) Co., Ltd.	600079 CH Equity	CNY	32,252,785,068	0	8,881,142,871	21.59%	78.41%	27.54%	25.00%	0.8107	0.6719
					Average	5.68%	94.32%				0.7795

C. MRP

The market risk premium ("**MRP**") measures the difference between the expected return on an investment in China where the Project Company operates and the risk-free rate. Based on the market risk premium research from Aswath Damodaran, an MRP of 5.25% is adopted. Aswath Damodaran is a Professor of Finance at Stern School of Business of New York University. He is well known globally as the author of several widely used academic and practitioner texts on valuation, corporate finance and investment management; as well as a provider of comprehensive data for valuation purposes.

Selection of Comparable Companies

We have searched and chosen comparable companies from S&P Capital IQ. When selecting comparable companies, business nature is the most determinant factor. One of the considerations in determining the comparable companies is that the revenue of these companies is generated from similar businesses carried out by the Project Company. We have considered the companies that are related to or engaged in the business of the Project Company as comparable companies.

Selection Criteria of Comparable Companies

1. The comparable companies shall derive most (more than 70%) of their revenues from the pharmaceutical & medicine manufacturing business in the previous financial year;

2. Business and financial information about the comparable companies is available and publicly disclosed;

3. Sufficient data, including financial figures, market capitalization can be obtained from S&P Capital IQ and public sources; and

4. Since the Project Company is a PRC company with substantive business operations in the PRC, the comparable companies should also be PRC companies which have operations or exposures in the PRC market. Only companies listed in the PRC are included as information of non-listed companies in the PRC (such as sales volume), which is not required to be disclosed, is not publicly available.

In the valuation practice, it is impractical to only select companies with exact same profiles (not to mention that public data is available) as the target company in determining comparable companies. We normally select the closest few based on professional judgment. As one might know, there are many pharmaceutical companies listed in China. For this valuation, we have selected the few which their products mainly comprise of anesthetics. Whether they produce with acquired patents or self-developed products are not in our consideration for this case. After exhaustive searching, we have identified from S&P Capital IQ a total of 5 comparable companies (exhaustive) for the calculation of unlevered beta listed as follows:

Shortlisted Guideline Publicly-Traded Companies

(1) Jiangsu Nhwa Pharmaceutical Co Ltd (S&P Capital IQ Ticker: 002262 CH Equity)

Jiangsu Nhwa Pharmaceutical Co Ltd integrates science, industry and trade into one group. The Group engages in producing medications for central nervous system and preparation of raw materials. Jiangsu Nhwa Pharmaceutical Co Ltd is listed in the PRC.

(2) Jiangsu Hengrui Medicine Co Ltd (S&P Capital IQ Ticker: 600276 CH Equity)

Jiangsu Hengrui Pharmaceuticals Co., Ltd develops, manufactures, and markets medicines and medicine packing materials. The Company produces anti-tumor medicines, pain-killers, anti-infection medicines, aluminum foil, and other related products. Jiangsu Hengrui Pharmaceuticals markets its products in domestic and abroad. Jiangsu Hengrui Medicine Co Ltd is listed in the PRC.

(3) Hubei Jumpcan Pharmaceutical Co Ltd (S&P Capital IQ Ticker: 600566 CH Equity)

Hubei Jumpcan Pharmaceutical Co., Ltd. manufactures pharmaceutical products. The Company produces detoxification drugs, digestive drugs, nervous system drugs, anti infectives, analgesic anesthetics, hemostatic agents, gynecological drugs, and other products. Hubei Jumpcan Pharmaceutical also produces metal materials, chemicals, and other products. Hubei Jumpcan Pharmaceutical Co Ltd is listed in the PRC.

(4) Haisco Pharmaceutical Group Co Ltd (S&P Capital IQ Ticker: 002653 CH Equity)

Haisco Pharmaceutical Group Co., Ltd. develops, manufactures and sells drug formulations and active pharmaceutical ingredients. The Company produces hepatobiliary disease medication, anti-infective drugs, nutrition drugs, and other related products. Haisco Pharmaceutical Group markets its products throughout China. Haisco Pharmaceutical Group Co., Ltd. is listed in the PRC.

(5) Humanwell Healthcare Group Co Ltd (S&P Capital IQ Ticker: 600079 CH Equity)

Humanwell Healthcare (Group) Co., Ltd. develops and sells pharmaceuticals. The Company manufactures and sells anesthetics, analgesics, central nerve system drugs, and other products. Humanwell Healthcare (Group) markets its products worldwide. Humanwell Healthcare (Group) Co., Ltd. is listed in the PRC.

D. Small Capitalization Risk Premium

Small capitalization risk premium is the excess return that an investor would demand in order to compensate for the additional risk over that of the entire stock market when investing in a small capitalization company.

A number of studies were conducted in the U.S. which concludes that the risk premium associated with a small company is over and above the amount that would be warranted just as a result of the Project Company's systematic risk derived from the capital asset pricing model. According to our initial understanding of the estimated size of the Project Company after obtaining an understanding of the Project Company's historical financial performance and position, a small capitalization risk premium of 3.38% is applied, based on the research from Cost of Capital Professional published by Business Valuation Resources ("**BVR**"). Such research is widely referenced by valuation professionals and is widely accepted by the industry as well as auditors. BVR is a generally adopted source by the industry and it is a paid source. According to BVR, for companies sized from USD2,015,000 to USD2,365,076,000, the appropriate size premium to be adopted is 3.38% (one figure for such a range). The Project Company, with a size of approximately RMB2.6 billion, falls within such range, and therefore a small capitalization risk premium of 3.38% is applied.

E. Company Specific Risk Premium

The company specific risks associated with the Project Company are ones typically associated with its business development, mainly related to the successful establishment and implementation of the business plan. Take into account the nature of the business operation and the current economic condition, which brings some kind of uncertainty to the Project Company's future performance, based on the valuer's professional judgment, we are of the opinion that the company specific risk premium of 4% should be added in developing the discount rate for the Project Company. Professional judgment is an important aspect for the accounting and finance profession. Quoted from CPA, Professional judgment is the application of accountant's accumulated knowledge, experience, and expertise, within the framework of relevant professional standards and ethical principles, to make informed and objective decisions in complex or ambiguous situations. While there is no universal standard for company specific risk premium, as a general benchmark, we would adopt a lower percentage (0-2%) for mature companies with steady business, i.e. revenue growth somewhat similar or slightly higher than CPI growth, and we would adopt a higher percentage (3-5%) for companies still in the growth stage, i.e. revenue growth much higher than CPI growth. For illustration purposes, to further breakdown the composition of the company specific risk premium, there is an operational risk premium of 1% (normal as the Project Company has just extended its operating license), and a forecast risk of 3%, which is regarded as higher than normal, given that there are several products which are pending for commercialization and there are no similar historical projects to refer to. A higher forecast risk is not justified because:

– There are still many existing products which already have a decent contribution to the revenue growth of the Project Company;

– The four major products are already on or near the commercialization stage. It is not possible that the products do not pass clinical trials and there is immaterial risk that the products will not be approved by the regulation parties.

II. Cost of Debt

The before tax cost of debt of 4.90% is assumed by the Management with reference to the lending rate of the People's Bank of China with tenor above 5 years, where the operation of the Project Company takes place. Actual debt interest rate (instead of effective interest rate) is adopted for this parameter. No actual borrowing rates information are available as the Project Company did not have any recent bank loans. Since the interest paid on debts are tax-deductible expense for the Project Company, the actual cost of debt for the Project Company would be less than the required rate of return of the suppliers of the debt capital. The after-tax cost of debt of 4.17% can be reasonably calculated by multiplying one minus the corporate tax rate of 15% by the before tax cost of debt.

III. Capital Structure

The company specific capital structure of 5.68% debt and 94.32% equity is adopted for the valuation of *market value* of the Project Company, being the average debt to equity ratio of the comparable companies. Proportion of debt of the Project Company is around 28%. It is general industry practice that the average of the comparable companies is adopted instead of that of the target entity. While it can be argued that using the actual D/E ratio for the purpose of determining the WACC is better, valuers generally adopt an average industry D/E ratio, normally assuming that while the ratio may deviate from the industry currently (even sometimes as cases of outliers), the D/E ratio will converge to industry norm over time. In this particular valuation, adopting the actual ratio will result in a lower WACC, hence a higher valuation result.

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. Ownership interests in closely held companies are typically not readily marketable compared to similar interests 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. Although the marketability discount is always observed and studied based on minority interest, its impact on the controlling equity interest valuation may be also substantial. In this case, the DLOM of 20.4% is adopted, with reference to "Stout Restricted Stock Study: Companion Guide (2024 Edition)", being the average discount of all observed transactions from 1980 to 2024.

Market Value of the Project Company

Based on the assumptions stated above, the *market value* of 100% equity interest in the Project Company is estimated to be RMB2,518,804,300. Detailed calculations are shown in Appendix 1 in this report.

Conclusion

	RMB
Market Value of 100% equity interest in the Project Company before DLOM *(Note 1)*	**2,518,804,300**
Less: Minority Interest (45.71%)	(1,151,305,145)
Market Value of the Project Company held by the Target Company before DLOM	**1,367,499,155**
Less: Net liabilities of the Target Holding Companies *(Note 2)*	(1,323,668,759)
Market Value of 100% equity interest in the Target Company before DLOM	**43,830,396**
Less: Discount on lack of marketability	20.4%
Market Value of 100% equity interest in the Target Company after DLOM	**34,888,996**

Notes:

1. Please see Appendix 1 for the calculation in arriving at this figure.

2. Net liabilities of the Target Holding Companies – As described in the introduction, each of the Target Holding Companies, i.e. the Target Company, Sino Globe, Dongguan Chenghe and Kaisa Healthcare Investment, is an investment holding company with no substantive business. The assets and liabilities of the Target Holding Companies are not related to the Project Company. The details (source: Management) are as follows:

Fixed Assets	RMB1,549
Other Receivables	RMB1,307,000
Amount due from a Fellow Subsidiary	RMB6,346,478
Amount due from group companies	RMB90,168,147
Prepayment	RMB4,932
Cash	RMB221,555
Amount due to a fellow subsidiary	(RMB179,497,826)
Estimated Liabilities	(RMB131,393,690)
Amount due to Group Companies	(RMB90,168,147)
Bank Loan	(RMB50,000,000)
Financial Guarantee	(RMB592,874,000)
Bank Borrowing	(RMB301,300,000)
Total Net Liabilities	(RMB1,323,668,759)

The net liabilities of RMB1,323,668,759 held by the Target Holding Companies are being deducted from the market value of the Project Company held by the Target Company before DLOM to arrive at market value of the Target Company. The figures as shown above are pre-consolidated figures. For disclosure purposes, the relevant pre-consolidated figures, and subsequently the total net liabilities, are presented in Appendix 2 of this report.

Sensitivity Test

A sensitivity test based on plus and minus 1% and 2% in company specific risk is shown as below:

Company Specific Risk	WACC	Market Value of Project Company	Market Value of Target Company
6.00%	14.99%	2,039,323,459	(172,323,989)
5.00%	13.99%	2,257,923,779	(77,853,427)
4.00%	12.99%	2,518,804,300	34,888,996
3.00%	11.99%	2,834,845,402	171,469,677
2.00%	10.99%	3,224,675,044	339,938,898

CONCLUSION

Based upon our investigation and analysis outlined above and the valuation methods employed, it is our opinion that as of 31 December 2025, the *market value* of 100% equity interest in Embrace Blossom Limited and its subsidiaries is **RMB34,888,996**.

The conclusion of value arrived at herein is based on the assumption as stated in earlier sections in this report. We hereby certify that we have neither present nor prospective interests in the Client, the Target Company, its holding company and its subsidiaries (if any), and the value reported.

Respectfully submitted,
For and on behalf of
HONG KONG APPRAISAL ADVISORY LIMITED

Jacqueline W. Huang	**Nick Fung**
Ph.D., ASA, MRICS, FCPA(Aust.)	CFA, CPA(Aust.)
Managing Director	*Associate Director*

Note: Dr. Jacqueline W. Huang is an Accredited Senior Appraiser (Business Valuation) of the American Society of Appraisers, a Chartered Member of the Royal Institute of Chartered Surveyors and a Ph.D. in real estate economics from the University of Hong Kong. She has been conducting business valuation for various purposes since 2005 and has extensive experience in transaction services.

Analyse and report by:
Dr. Jacqueline W. Huang, ASA, MRICS, FCPA(Aust.)
Nick Fung, CFA, CPA(Aust.)
Ryan Ng, MSc

APPENDIX 1
DISCOUNTED CASH FLOW CALCULATION (IN RMB)

All figures in RMB unless specified otherwise		*Actual*	*Actual*	*Actual*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Extrapolated*
Financial year		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Period from		2023-01-01	2024-01-01	2025-01-01	2026-01-01	2027-01-01	2028-01-01	2029-01-01	2030-01-01	2031-01-01	2032-01-01	2033-01-01	2034-01-01	Terminal
Period to		2023-12-31	2024-12-31	2025-12-31	2026-12-31	2027-12-31	2028-12-31	2029-12-31	2030-12-31	2031-12-31	2032-12-31	2033-12-31	2034-12-31	Year
Days		365	366	365	365	365	366	365	365	365	366	365	365	365
Year Number				Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 9+
Partial year factor				*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	
Buprenorphine Hydrochloride Injection					17,588,909	58,431,373	112,984,597	200,000,000	300,000,000	360,000,000	414,000,000	434,700,000	434,700,000	
Hydromorphone Injection					6,371,681	15,355,752	55,444,339	119,444,145	200,000,000	240,000,000	276,000,000	289,800,000	287,750,300	
Hydrochloride Pseudoephedrine Tablets					42,745,148	52,835,368	77,667,991	114,171,947	237,100,248	312,101,038	360,486,902	394,916,136	425,176,134	
Hydrochloride Pseudoephedrine Tablets					23,357,675	30,031,081	45,046,621	67,569,932	118,248,232	147,810,289	169,981,833	186,980,016	192,589,417	
Hydrochloride Pseudoephedrine Tablets					28,382,652	42,290,152	63,012,326	89,288,366	144,651,521	180,814,401	207,936,561	228,730,218	235,592,124	
Naloxone Hydrochloride Injection					20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	
Other Products					583,861,744	691,164,116	790,782,163	880,646,297	888,634,480	992,147,264	1,066,196,827	1,147,651,346	1,237,251,317	
Revenue		455,134,640	495,956,707	530,752,057	722,307,811	910,107,842	1,164,938,037	1,491,120,688	1,908,634,480	2,252,872,993	2,514,602,123	2,702,777,716	2,833,059,292	2,889,720,477
Revenue growth rate			9%	7%	36%	26%	28%	28%	28%	18%	12%	7%	5%	2%
Less: Cost of revenue (COGS)		(225,049,305)	(300,809,812)	(304,753,458)	(412,592,214)	(519,866,190)	(665,428,723)	(851,748,765)	(1,090,238,420)	(1,286,872,221)	(1,436,375,521)	(1,543,864,022)	(1,618,282,661)	(1,650,648,314)
Gross profit (GP)		230,085,336	195,146,895	225,998,599	309,715,597	390,241,652	499,509,314	639,371,922	818,396,060	966,000,773	1,078,226,603	1,158,913,693	1,214,776,631	1,239,072,163
GP Margin		51%	–56%	44%	43%	43%	43%	43%	43%					
Administrative expenses					(36,115,391)	(45,505,392)	(58,246,902)	(74,556,034)	(95,431,724)	(112,643,650)	(125,730,106)	(135,138,886)	(141,652,965)	
Selling and distribution expenses					(108,346,172)	(136,516,176)	(174,740,706)	(223,668,103)	(286,295,172)	(337,930,949)	(377,190,318)	(405,416,657)	(424,958,894)	
Research and development expenses					(33,225,991)	(42,615,992)	(55,357,502)	(71,666,634)	(92,542,324)	(109,233,122)	(121,923,358)	(131,047,266)	(137,364,117)	
Less: Operating expenses		(153,560,775)	(131,363,890)	(145,701,638)	(177,687,553)	(224,637,560)	(288,345,109)	(369,890,772)	(474,269,220)	(559,807,720)	(624,843,782)	(671,602,809)	(703,975,976)	(718,055,495)
Less: Depreciation and amortisation difference<1>					(4,565,635)	(4,459,152)	(4,400,203)	(4,106,249)	(4,352,287)	(4,636,952)	(4,743,288)	(3,588,807)	(3,290,928)	(3,356,746)
Operating income		76,524,561	63,783,005	80,296,961	127,462,409	161,144,940	206,764,002	265,374,901	339,774,553	401,556,100	448,639,533	483,722,077	507,509,727	517,659,922
as % of revenue		17%	13%	15%	18%	18%	18%	18%						18%
Add: Non-operating incomes/(expenses)		(1,502,049)	3,053,218	170,240	2,072,000	2,072,000	2,072,000	2,072,000	2,072,000	2,072,000	2,072,000	2,072,000	2,072,000	2,072,000
as % of revenue		–0.33%	0.62%	0.03%	0.29%	0.23%	0.18%	0.14%	0.11%	0.09%	0.08%	0.08%	0.07%	0.07%
Earning before interest and tax (EBIT)		75,022,512	66,836,223	80,467,202	129,534,409	163,216,940	208,836,002	267,446,901	341,846,553	403,628,100	450,711,533	485,794,077	509,581,727	519,731,922
EBIT Margin		16%	–86%	14%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Add: Interest income/(expense)		1,814,420	1,391,267	1,403,098	449,348	449,348	449,348	449,348	449,348	449,348	449,348	449,348	449,348	449,348
Earning before tax (EBT)		76,836,932	68,227,489	81,870,300	129,983,757	163,666,288	209,285,350	267,896,249	342,295,901	404,077,448	451,160,881	486,243,425	510,031,075	520,181,270
EBT Margin		17%	14%	15%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Less: Income tax expense		(9,195,593)	(7,363,837)	(9,105,930)	(19,497,564)	(24,549,943)	(31,392,803)	(40,184,437)	(51,344,385)	(60,611,617)	(67,674,132)	(72,936,514)	(76,504,661)	(78,027,190)
Effective tax rate	Per Management 15.0%	12%	11%	11%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Net profit (NP)		67,641,339	60,863,653	72,764,370	110,486,194	139,116,345	177,892,548	227,711,812	290,951,516	343,465,831	383,486,749	413,306,911	433,526,414	442,154,079

All figures in RMB unless specified otherwise			*Actual*	*Actual*	*Actual*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Forecast*	*Extrapolated*
Financial year			2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Period from			2023-01-01	2024-01-01	2025-01-01	2026-01-01	2027-01-01	2028-01-01	2029-01-01	2030-01-01	2031-01-01	2032-01-01	2033-01-01	2034-01-01	Terminal
Period to			2023-12-31	2024-12-31	2025-12-31	2026-12-31	2027-12-31	2028-12-31	2029-12-31	2030-12-31	2031-12-31	2032-12-31	2033-12-31	2034-12-31	Year
Days			365	366	365	365	365	366	365	365	365	366	365	365	365
Year Number					Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 9+
Partial year factor					*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	
NP Margin			15%	12%	14%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Cash flow adjustments															
Add: Depreciation and amortisation						4,565,635	4,459,152	4,400,203	4,106,249	4,352,287	4,636,952	4,743,288	3,588,807	3,290,928	3,356,746
Add/(Less): After-tax interest expenses/(income)						(381,946)	(381,946)	(381,946)	(381,946)	(381,946)	(381,946)	(381,946)	(381,946)	(381,946)	(381,946)
Less: Capital expenditure						(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(3,356,746)
Less: Change in working capital						21,168,246	(55,872,631)	(20,672,476)	(13,308,186)	(86,304,711)	35,144,026	(39,559,774)	(29,494,096)	(18,591,047)	(5,881,420)
Free Cash Flow to Firm (FCFF)						130,838,128	82,320,919	156,238,329	213,127,929	203,617,147	377,864,863	343,288,316	382,019,676	412,844,349	435,890,714
Year						0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	
Present value factor	*WACC*	13.0%				0.94	0.83	0.74	0.65	0.58	0.51	0.45	0.40	0.35	
Net present value						123,087,604	68,540,963	115,129,751	138,995,370	117,526,096	193,026,289	155,202,591	152,857,118	146,199,629	

Sum of present value			1,210,565,410
Present value of terminal value	*Terminal growth rate*	2.0%	1,404,558,561
Net present value of invested capital (excluding surplus cash)			**2,615,123,971**
Add: Non-operating assets			25,164,980
Less: Non-operating liabilities			(121,484,651)
Market Value of 100% equity interest of 青海製藥有限公司 before DLOM			**2,518,804,300**
Less: Minority interests	*1-54.84%*99%*	45.71%	(1,151,305,145)
Market Value of 青海製藥有限公司 holding by parent before DLOM			1,367,499,155
Less: Net Liabilities by holding company			(1,323,668,759)
Market Value of 100% Target Company before DLOM			**43,830,396**
Less: Discount on lack of marketability	*Tab 'DLOM'*	20.4%	(8,941,401)
Market Value of 100% Target Company after DLOM			**34,888,996**

Appendix 2: Pre-consolidated figures as of Valuation Date

Embrace Blossom Limited
Consolidated financial statement for the year ended 31 December 2025

	Sino Globe Limited	Sino Globe Limited	誠合實業發展(東莞)有限公司	佳兆業醫療投資(深圳)有限公司	青海製藥廠有限公司	迪晟康藥業(上海)有限公司	菁海製藥研究(深圳)有限公司
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
BALANCE SHEET							
ASSETS							
Non-current assets							
Fixed assets	–	–	–	1,549	48,912,748.89	–	–
Construction in progress	–	–	–	–	184,216,745.40	–	–
Investment in property	–	–	–	–	1,047,356.58	–	–
Right-of-use assets	–	–	–	–	8,602,321.69	–	–
Deferred assets	–	–	–	–	4,796,910.52	–	–
Long term investment	1.00	–	290,000,000.00	581,657,680	–	–	–
	1.00	–	290,000,000.00	581,659,229	247,576,083.08	–	–
Current assets							
Inventory	–	–	–	–	157,690,183.95	–	–
Trade debtors	–	–	–	–	99,161,745.98	–	–
Other receivables	–	–	–	1,307,000	1,560,090.71	–	–
Prepayment	–	–	–	4,932	36,240,724.43	–	–
Amount due from group companies	–	1.00	90,168,147.28	–	–	–	–
Amount due from a fellow subsidiary	7.00	–	–	6,346,478	–	–	–
Cash and bank balances	–	–	953.02	220,602	25,164,980.17	–	–
Restricted bank balance	–	–	–	–	1,609,567.82	–	–
	7.00	1.00	90,169,100.30	7,879,012	321,427,293.06	–	–
Current liabilities							
Trade creditors	–	–	–	–	(16,531,018.43)	–	–
Other payable	–	–	–	–	(39,847,257.47)	–	–
Accrued salary	–	–	–	–	(13,179,311.53)	–	–
Advance receipt	–	–	–	–	(16,781,606.70)	–	–
Other accrual	–	–	–	–	(21,483,669.22)	–	–
Amount due to Group companies	(1.00)	–	–	(90,168,147)	–	–	–
Amount due to a fellow subsidiary	–	–	(380,299,447.28)	200,801,621	(10,000.00)	–	–
Estimated liabilities	–	–	–	(131,393,690)	–	–	–
Bank loan	–	–	–	(50,000,000)	–	–	–
	(1.00)	–	(380,299,447.28)	(70,760,217)	(107,832,863.35)	–	–
NET CURRENT ASSETS	6.00	1.00	(290,130,346.98)	(62,881,205)	213,594,429.71	–	–

	Sino Globe Limited	Sino Globe Limited	誠合實業發展(東莞)有限公司	佳兆業醫療投資(深圳)有限公司	青海製藥廠有限公司	迪晟康藥業(上海)有限公司	菁海製藥研究(深圳)有限公司
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
NON-CURRENT LIABILITY							
Accrual interest	–	–	–	(76,484,855)	–	–	–
Long term accounts payable	–	–	–	–	(121,484,651.01)	–	–
Non-current financial guarantees	–	–	–	(592,873,902)	–	–	–
Bank borrowing	–	–	–	(301,300,000)	–	–	–
	–	–	–	(970,658,757)	(121,484,651.01)	–	–
NET ASSETS	7.00	1.00	(130,346.98)	(451,880,732)	339,685,861.78	–	–
Represented by:							
SHARE CAPITAL	(7.00)	(1.00)	–	(50,000,000)	(100,000,000.00)	–	–
Other reserves	–	–	–	683,546,751	–	–	–
Special reserves	–	–	–	(240,000,000)	(19,497,062.55)	–	–
Surplus reserve	–	–	–	–	(50,000,000.00)	–	–
Retained Profit C/F	–	–	130,346.98	58,333,981	(170,188,799.23)	–	–
NCI	–	–	–	–	–	–	–
	(7.00)	(1.00)	130,346.98	451,880,732	(339,685,861.78)	–	–

INDEPENDENT ASSURANCE REPORT ON THE ACCOUNTING POLICIES AND CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION

TO THE BOARD OF DIRECTORS OF KAISA HEALTH GROUP HOLDINGS LIMITED

We have examined the accounting policies adopted and calculations of the discounted future estimated cash flows on which the valuation prepared by Hong Kong Appraisal Advisory Limited dated 23 April 2026 in respect of the valuation on market value of 100% equity interest in Embrace Blossom Limited and its subsidiaries (the "**Target Group**") as at 31 December 2025 (the "**Valuation**") is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and have been included in the circular dated 2 June 2026 issued by Kaisa Health Group Holdings Limited (the "**Company**") in connection with the very substantial acquisition and connected transaction in relation to acquisition of 100% equity interest in the Target Group (the "**Circular**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions including the history, current, future perspectives of the financial projection and its nature of Target Group (the "**Assumptions**"). The Valuation set out in "Appendix V – Valuation report of the target group" of the Circular which is prepared on a basis consistent in all material aspects with the accounting policies adopted by the Company. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows based on the management accounts of the Target Group for the years ended 31 December 2023, 2024 and 2025 for the Valuation and applying an appropriate basis of preparation and accounting policies adopted in the notes to the Company's audited financial statements for the year ended 31 December 2025; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

It is our responsibility, pursuant to paragraph 14.60A(2) of the Listing Rules, to express an opinion on the accounting policies adopted and calculations of the discounted future estimated cash flows based on the management accounts of the Target Group for the years ended 31 December 2023, 2024 and 2025, and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to form the opinion.

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the accounting policies and calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions and the accounting policies adopted in the notes to the Company's audited financial statements for the year ended 31 December 2025. Within the scope of our work, we, amongst others, reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and Assumptions.

The discounted future estimated cash flows have been prepared using a set of Assumptions that include hypothetical assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the Assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, based on the foregoing, so far as the accounting policies and calculations are concerned, the discounted future estimated cash flows based on the management accounts of the Target Group for the years ended 31 December 2023, 2024 and 2025 have been properly compiled, in all material respects, in accordance with the Assumptions and is prepared on a basis consistent in all material aspects with the accounting policies adopted in the notes to the Company's audited financial statements for the year ended 31 December 2025.

ZSZH (HK) Fuson CPA Limited
Certified Public Accountants

Unit 2, 27/F, Wu Chung House,
213 Queen's Road East,
Wan Chai, Hong Kong

Lee Yan Fai
Practising Certificate Number: P06078
Hong Kong, 2 June 2026

RAINBOW CAPITAL (HK) LIMITED
泓 博 資 本 有 限 公 司

The Board of Directors
Kaisa Health Group Holdings Limited
30/F, The Center
99 Queen's Road Central
Central, Hong Kong

2 June 2026

Dear Sirs,

We refer to (i) the circular of even date (the "**Circular**") issued by Kaisa Health Group Holdings Limited (the "**Company**"); and (ii) the valuation report (the "**Valuation Report**") prepared by the Valuer in respect of the market value of 100% equity interest in the Target Company as at 31 December 2025, a copy of which is set out in Appendix V of the Circular. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise specified.

The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast (the "**Profit Forecast**") for the purpose of Rule 14.61 of the Listing Rules and, accordingly, the requirements under Rule 14.60A of the Listing Rules are applicable.

This letter is issued in compliance with Rule 14.60A(3) of the Listing Rules.

For the purpose of providing this letter, we, in our capacity as the financial adviser to the Company, have conducted the following due diligence:

(i) reviewed the Valuation and the Profit Forecast (i.e. the discounted future estimated cash flows as set out in Appendix 1 to the Valuation Report);

(ii) reviewed and discussed with the management of the Company and the Valuer and obtained supporting documents in respect of the valuation methodologies and the bases and assumptions upon which the Valuation and the Profit Forecast have been made;

(iii) considered the letter from ZSZH (HK) Fuson CPA Limited (formerly known as SFAI (HK) CPA Limited) of even date addressed to you regarding the accounting policies and calculations upon which the Profit Forecast has been made, which stated that the Profit Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the assumptions made by you; and

(iv) reviewed and discussed with the Valuer and obtained supporting documents for the Valuer's qualification and experience. We noted that (a) the Valuer is a leading provider of appraisal and advisory services in Hong Kong and is operated by a group of experienced professionals with proven track record of producing quality reports as public documents required by stock exchanges; (b) the Valuer has relevant track records of performing similar valuation; and (c) the responsible staffs of the Valuer for the Valuation include Dr. Jacqueline W. Huang who has been conducting business valuation for various purposes since 2005 and has extensive experience in transaction services, and Mr. Nick Fung who has more than 10 years of valuation experience.

As stated in the section headed "Sources of Information" in the Valuation Report, the Valuer relied on the financial projection of the Project Company (the "**Financial Projection**") provided by the Management. The Financial Projection was reviewed and agreed by the directors of the Company with due care and consideration. The Valuer has adjusted the Financial Projection into the cash flow projections by applying the Free Cash Flow to Firm formula, details of which are set out in Appendix 1 to the Valuation Report. For the bases and assumptions with respect to the Financial Projection, please refer to the sections headed "Income Approach – Revenue Projection/Gross Profit Margin/Net Profit Margin" in the Valuation Report. We have reviewed such bases and assumptions.

On the basis of the foregoing, we are satisfied that the Profit Forecast and the Valuation, for which you as the directors of Company are solely responsible, have been made by you with due care and consideration and that the bases and assumptions as set out in the Valuation Report with respect to the discounted future estimated cash flows have been made with due care and objectivity and on a reasonable basis. We are also satisfied that the Valuer is suitably qualified and experienced with sufficient current local knowledge, skills and understanding necessary to undertake the Valuation competently and that reliance could fairly be placed on the Valuer's work.

The work undertaken by us in giving the above opinion is for the sole purpose of reporting to you under Rule 14.60A(3) of the Listing Rules and for no other purpose. This letter may not be used or disclosed, referred or communicated (in whole or in part) to any party for any other purpose whatsoever, except with our prior written approval. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

Authorised and issued share capital of the Company as at the Latest Practicable Date:

Authorised:	*HK$*
160,000,000,000 Shares	200,000,000.00
Issued and fully paid:	
5,042,139,374 Shares	6,302,674.2175

Authorised and issued share capital of the Company immediately following the issue of the Consideration Shares (assuming the Share Consolidation taking effect):

Authorised:		*HK$*
3,200,000,000 Shares		200,000,000.00
Issued and fully paid:		
100,842,787 Shares	Shares in issue as at the Latest Practicable Date	6,302,674.188
2,491,042 Shares	Consideration Shares to be issued at Completion	155,690.125
103,333,829 Shares		6,458,364.313

Authorised and issued share capital of the Company immediately following the issue of the Consideration Shares (assuming the Share Consolidation not taking effect):

Authorised:		*HK$*
160,000,000,000 Shares		200,000,000.00
Issued and fully paid:		
5,042,139,374 Shares	Shares in issue as at the Latest Practicable Date	6,302,674.218
124,552,111 Shares	Consideration Shares to be issued at Completion	155,690.139
5,166,691,485 Shares		6,458,364.357

As at the Latest Practicable Date, none of the issued Shares was held in treasury by the Company or through any agent or nominee of the Company.

3. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in the Shares

Name	Capacity/nature of interest	Number of shares held	Approximate percentage of the issued share capital of the Company
Mr. Kwok	Interest of controlled corporation	308,000,000 *(Note 1)*	6.11%
	Interest of spouse	2,020,000 *(Note 2)*	0.04%

Note 1: For further details, please refer to Note 2 to the table under the section headed "3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS" below.

Note 2: Mr. Kwok is deemed to be interested in the 2,020,000 Shares beneficially owned by his spouse, Ms. Chan Nog.

(b) Interest in the share options

Name	Number of share options held	Number of underlying shares of the Company	Exercisable price	Approximate percentage of the issued share capital of the Company
Mr. Luo Jun	40,000,000 *(Note 1)*	40,000,000	HK$0.196	0.79%
Dr. Liu Yanwen	6,000,000 *(Note 1)*	6,000,000	HK$0.196	0.12%
Dr. Lyu Aiping	6,000,000 *(Note 1)*	6,000,000	HK$0.196	0.12%

Note 1: These share options were granted on 22 July 2020. 30% of the granted share option would vest on 22 July 2021 and be exercisable from 22 July 2021 to 21 July 2030. Another 30% of the granted share options would vest on 22 July 2022 and be exercisable from 22 July 2022 to 21 July 2030. The remaining 40% of the granted share options would vest on 22 July 2023 and be exercisable from 22 July 2023 to 21 July 2030.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(c) Interests in assets

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 December 2025, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(d) Interests in contracts

No contracts or arrangements were subsisting in which a Director was materially interested and which were significant in relation to the business of the Enlarged Group as at the Latest Practicable Date.

(e) Interests in competing business

As at the Latest Practicable Date, in so far as the Directors were aware of, none of the Directors and their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

(f) Directors' service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group which is not expiring or terminable by such member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Long position/ short position	Nature of interests	Number of issued ordinary shares held	Approximate percentage of the issued ordinary share capital of the Company
Kaisa Group *(Note 1)*	Long position	Beneficial owner	2,167,600,491	42.99%
Ying Hua Holdings Limited *(Note 2)*	Long position	Beneficial owner	308,000,000	6.11%
KS Holdings 2 Limited *(Note 2)*	Long position	Trustee	308,000,000	6.11%
Mr. Huang Xiao Gang *(Note 3)*	Long position	Interest of controlled corporation	472,470,256	9.37%
Gao Lang Limited *(Note 3)*	Long position	Interest of controlled corporation	472,470,256	9.37%

Notes:

1. According to the information available to the Company, Kaisa Group is a company incorporated in Cayman Islands and is listed on the Main Board of the Stock Exchange (Stock Code: 1638).

2. According to the information available to the Company, Ying Hua Holdings Limited is a company incorporated in the BVI and is wholly owned by KS Holdings 2 Limited. KS Holdings 2 Limited is the trustee of 308,000,000 Shares under a discretionary trust of which Mr. Kwok is the founder. Under the SFO, KS Holdings Limited and Mr. Kwok is each deemed to be interested in the Shares held by Ying Hua Holdings Limited. Mr. Kwok who is also an executive director and a substantial shareholder of Kaisa Group (note 1).

3. According to the information available to the Company, Peng Ze (Hong Kong) Limited and Xin Hao (Hong Kong) Limited are the beneficial owners of 133,140,256 Shares and 339,330,000 Shares respectively. Peng Ze (Hong Kong) Limited is wholly owned by Xin Hao (Hong Kong) Limited, which is in turn wholly owned by Peng Ze Limited, which is in turn wholly owned by Gao Lang Limited. Gao Lang Limited is a company incorporated in the BVI and is wholly owned by Mr. Huang Xiao Gang.

Save for Mr. Kwok, Mr. Liu Lihao, Ms. Luo Tingting, each an executive Director, also being an executive director of Kaisa Group, as of the Latest Practicable Date, none of the other Directors, proposed directors and chief executive of the Company was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

6. EXPERTS' QUALIFICATIONS AND CONSENTS

(a) The following are the qualifications of each of the experts (the "**Experts**") who has given opinion, letter or advice which is contained in this circular:

Name	Qualification
ZSZH (HK) Fuson CPA Limited (formerly known as SFAI (HK) CPA Limited)	Certified Public Accountants
Hong Kong Appraisal Advisory Limited	Professional valuer
Rainbow Capital (HK) Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO
SBI Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

(b) Each of the Experts has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

(c) As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, none of the Experts had any shareholding, directly or indirectly, in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

(d) As at the Latest Practicable Date, none of the Experts had any interest, direct or indirect, in any asset which has been, since 31 December 2025, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

7. MATERIAL ACQUISITION

Save for the Acquisition, no member of the Group has acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the Company's auditors' report or next published accounts.

8. MATERIAL CONTRACTS

Save for the Agreement, no contracts (being contracts entered into outside the ordinary course of business) had been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date.

9. GENERAL

(a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The principal place of business of the Company in Hong Kong is situated at 30/F, The Center, 99 Queen's Road Central, Central, Hong Kong.

(c) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The secretary of the Company is Mr. Yu Kwok Leung. Mr. Yu Kwok Leung has been appointed as the company secretary, an authorised representative and process agent of the Company since 10 December 2018. Mr. Yu obtained his bachelor degree of business administration in accountancy from the Hong Kong Polytechnic University. Mr. Yu is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yu has many years of experience in accounting and finance.

(e) This circular and the accompanying form of proxy are prepared in both English and Chinese. In the event of inconsistency, the English texts shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.kaisahealth.com) for a period of 14 days from the date of this circular (both days inclusive):

(a) the letter from the Independent Board Committee, the text of which is set out from pages 68 to 69 of this circular;

(b) the letter from the Independent Financial Adviser, the text of which is set out from pages 70 to 130 of this circular;

(c) the annual reports of the Company for the years ended 31 December 2023, 2024 and 2025;

(d) the accountant's report on the Target Group, the text of which is set out in Appendix II to this circular;

(e) the report on the unaudited pro forma financial information of the Enlarged Group illustrating the effect of the Acquisition, the text of which is set out in Appendix IV to this circular;

(f) the report from Hong Kong Appraisal Advisory Limited in relation to the Valuation, the text of which is set out in Appendix V to this circular;

(g) the report from the Reporting Accountants in relation to the Valuation, the text of which is set out in Appendix VI to this circular;

(h) the report from the Financial Adviser in relation to the Valuation, the text of which is set out in Appendix VII to this circular;

(i) the consent letter issued by each of the Experts referred to in the paragraph headed "6. EXPERTS' QUALIFICATIONS AND CONSENTS" in this appendix; and

(j) the material contracts referred to in the paragraph headed "8. MATERIAL CONTRACTS" in this appendix.

* *For identification purposes only*

Kaisa Health Group Holdings Limited
佳兆業健康集團控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 876)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Special General Meeting of Kaisa Health Group Holdings Limited 佳兆業健康集團控股有限公司 (the "**Company**") will be held at Conference Room Luxe Lab, 20/F., Office Plus @Sheung Wan, Nos. 93-103 Wing Lok Street, Sheung Wan, Hong Kong on Monday, 22 June 2026 at 11:00 a.m. for the purposes of considering and, if thought fit, passing with or without modification, the following resolutions as ordinary resolutions of the Company.

Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 2 June 2026 (the "**Circular**").

1. "**THAT**:

   (a) the agreement dated 18 March 2026 (the "**Agreement**") entered into between the Company as purchaser and Profit Vigorous Developments Limited (益旺發展有限公司) (the "**Vendor**") as vendor (a copy of which marked "A" has been produced to the SGM and initialed by the chairman of the SGM for the purpose of identification) in relation to, among other matters, the acquisition of the entire issued share capital of Embrace Blossom Limited (崇興有限公司) (the "**Acquisition**"), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

   (b) subject to and conditional upon the fulfilment or waiver of the conditions precedent set out in the Agreement, the Directors be and are hereby granted a specific mandate to exercise the powers to allot and issue, assuming the Share Consolidation (as defined below) having taken effect, 2,491,042 Consideration Shares at the issue price of HK$9.8 per Consideration Share to the Vendor upon Completion, or assuming the Share Consolidation not having taken effect, 124,552,111 Consideration Shares at the issue price of HK$0.196 per Consideration Share to the Vendor upon Completion in accordance with the terms and conditions of the Agreement; and

(c) subject to and conditional upon the fulfilment or waiver of the conditions precedent set out in the Agreement, any one or more Directors be and is/are hereby authorised, for and on behalf of the Company, to execute all such documents, instruments and agreements, and take such action, do all such acts or things, as he/she/they may, in his/her/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implement of or giving effect or completion of any matters relating to the Agreement and the transactions contemplated thereunder, the issue and allotment of the Consideration Shares, and all matters incidental thereto."

"2. **THAT** subject to and conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the Consolidated Shares (as defined below) arising from the Share Consolidation (as defined below) and with effect from the second business day immediately following the date on which this resolution is passed:

(a) every fifty (50) issued and unissued ordinary shares with a par value of HK$0.00125 each in the share capital of the Company be consolidated into one (1) ordinary share with a par value of HK$0.0625 each (the "**Consolidated Shares**") (the "**Share Consolidation**"), such Consolidated Share(s) shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of the shares contained in the memorandum of association and bye-laws of the Company;

(b) following the Share Consolidation, the Directors be and are hereby authorised to make arrangements for the settlement and disposal of fractional entitlements, if any, arising from or in connection therewith and, in particular (but without prejudice to the generality of the foregoing), by aggregating any fractional entitlements arising as a result thereof and selling the same for the benefit of the Company in such manner and on such terms as the Directors may think fit; and

(c) any one of the Directors be and is hereby authorised severally to do all such acts and things and sign, execute and deliver all documents (including affixing the common seal of the Company if appropriate) he or she considers necessary, desirable or expedient to give effect to the Share Consolidation and the transactions contemplated thereunder."

By order of the Board
Kaisa Health Group Holdings Limited
Kwok Ying Shing
Chairman and Executive Director

Hong Kong, 2 June 2026

* *For identification purposes only*

Notes:

(a) Any shareholder of the Company (the "**Shareholder**") entitled to attend, speak and vote at the Meeting or its adjournment meeting is entitled to appoint one (or, if he/she/it holds two or more Shares, more than one) or more proxies to attend, speak and vote instead of him/her/it. A proxy needs not be a Shareholder but must be present in person at the Meeting. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which such proxy is so appointed.

(b) In order to be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the office of the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or the adjournment thereof. Completion and return of the form of proxy will not preclude a Shareholder from attending, speaking and voting in person at the meeting or the poll concerned if he/she/it so wishes and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(c) For determining the entitlement of the Shareholders to attend and vote at the Meeting, the register of members of the Company (the "**Register**") will be closed from Tuesday, 16 June 2026 to Monday, 22 June 2026 (both dates inclusive), during which period no transfer of Shares will be effected. To quality for attending, speaking and voting at the Meeting, non-registered Shareholders must lodge all transfer documents, accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Monday, 15 June 2026.

(d) In the case of joint holders of a Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she/it were solely entitled thereto. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the name stands first in the Register in respect of the joint holding.

(e) All the resolutions set out in this Notice shall be decided by poll.

(f) (i) Subject to paragraph (ii) below, if a Typhoon Signal No. 8 or above is hoisted, an announcement of "extreme conditions" is made by the government of Hong Kong or a Black Rainstorm Warning Signal is expected to be in force at any time three hours before the Meeting, the Meeting will be postponed and the Shareholders will be informed of the date, time and venue of the postponed Meeting by an announcement posted on the respective websites of the Company and the Stock Exchange.

(ii) If a Typhoon Signal No. 8 or above, an announcement of "extreme conditions" by the government of Hong Kong or a Black Rainstorm Warning Signal is cancelled three hours before the time fixed for holding the Meeting and where conditions permit, the Meeting will be held as scheduled.

(iii) The Meeting will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force.

(iv) After considering their own situations, the Shareholders should decide on their own as to whether they would attend the Meeting under any bad weather condition and if they do so, they are advised to exercise care and caution.

(g) The translation into Chinese language of this Notice is for reference only. In case of any inconsistency, the English version shall prevail.

(h) As at the date hereof, the Board comprises Mr. Kwok Ying Shing (Chairman), Mr. Luo Jun, Ms. Luo Tingting, Mr. Liu Lihao, Mr. Xie Binhong and Mr. Ye Haoda as executive Directors; and Dr. Liu Yanwen, Dr. Lyu Aiping and Ms. Li Zhiying as independent non-executive Directors.