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Modern Chinese Medicine Group Co., Ltd.

現代中藥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1643)

**MAJOR TRANSACTION
IN RELATION TO ACQUISITION OF SALE SHARES**

Capitalised terms used in this cover page shall have the same respective meanings as those defined in the section headed “Definitions” in this circular. A letter from the Board is set out on pages 4 to 12 of this circular. The SPA and the transaction contemplated thereunder have been approved by written shareholder’s approval obtained from Modern Biotechnology, a controlling Shareholder, pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company and this circular is being despatched to the Shareholders for information only.

Hong Kong, 26 June 2026

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DEFINITIONS

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

“Acquisition”	the purchase of the Sale Shares by the Company in accordance with the terms of the SPA
“Allways”	Allways Health-Care Corporation Limited (永盛國際企業有限公司), a company incorporated in Hong Kong with limited liability on 4 April 1995
“associates”	has the meaning ascribed to it under the Listing Rules
“Articles of Association”	the articles of association of the Company currently in force
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, a Sunday and a public holiday) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“Chengde Yushi”	Chengde Yushi Jindan Pharmaceutical Co., Ltd.* (承德禦室金丹藥業有限公司), a limited liability company established in the PRC
“Company”	Modern Chinese Medicine Group Co., Ltd. 現代中藥集團有限公司, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the Acquisition contemplated under the SPA
“Conditions Precedent”	the conditions precedent to Completion
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	HK\$41,820,000 payable by the Company to the Vendor for the Acquisition
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group as enlarged by the acquisition of the Sale Shares upon completion of the Acquisition

DEFINITIONS

“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third-Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and the connected persons of the Company
“Latest Practicable Date”	26 June 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Day”	30 June 2026
“Macau”	the Macau Special Administrative Region of the PRC
“Modern Biotechnology”	Modern Biotechnology Group Holdings Co., Ltd., a company incorporated in the BVI with limited liability and a controlling Shareholder
“Ms. Sun”	Ms. Sun Xinlei, the chairlady of the Board, an executive Director and a controlling Shareholder
“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Rebound”	Rebound Global Limited (復興環球有限公司), a company incorporated in BVI with limited liability on 11 June 2014
“Sale Shares”	3,000,000 ordinary shares (representing 30% of the entire issued share capital of the Target Company)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares from time to time

DEFINITIONS

“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shijiazhuang Medical Research”	Shijiazhuang Medical Research Advisory Company Limited (石家莊藥研諮詢有限公司), a limited liability company established in the PRC an indirect wholly-owned subsidiary of the Group
“SPA”	the sale and purchase agreement dated 19 January 2026 entered into between the Vendor as vendor and the Company as purchaser relating to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	AI Health Global Holdings Limited (數智健康全球控股有限公司), a company incorporated in the Cayman Islands with limited liability on 15 January 2018
“Target Group”	the Target Company, Allways, Rebound and Wing Ming
“Universal Health”	Universal Health International Group Holding Limited, a company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange (Stock Code: 2211)
“Vendor”	Huang Yu Holdings Limited (皇御控股有限公司), a company incorporated in BVI with limited liability on 10 July 2015
“Wing Ming”	Hong Kong Wing Ming Medical Limited (香港永明藥業有限公司), a company incorporated in Hong Kong with limited liability on 25 July 2014
“%”	per cent

LETTER FROM THE BOARD



Modern Chinese Medicine Group Co., Ltd.

現代中藥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1643)

Executive Directors:

Ms. Sun Xinlei (*Chairlady*)

Ms. Zhang Hongli

Ms. Jia Yanru

Registered Office:

89 Nexus Way, Camana Bay

Grand Cayman

KY1-9009

Cayman Islands

Independent Non-executive Directors:

Ms. Liu Ling

Mr. Leung Tsz Wing

Mr. Wong Chi Kin

Corporate headquarters in the PRC

No. 88 Jinwei Road

Chengde City, Hebei Province

PRC

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF SALE SHARES

INTRODUCTION

On 19 January 2026 (after trading hours), the Company entered into the SPA with the Vendor, pursuant to which the Company conditionally agreed to purchase, and the Vendor agreed to sell, the Sale Shares for the Consideration of HK\$41,820,000.

THE SPA

The principal terms of the SPA are set out below:

Date: 19 January 2026

Parties: (1) The Vendor as vendor
(2) The Company as purchaser

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Assets to be acquired

Pursuant to the SPA, the Company has conditionally agreed to purchase, and the Vendor has agreed to sell, the Sale Shares subject to fulfilment of the Conditions Precedent.

Consideration and payment terms

The Consideration for the Sale Shares is HK\$41,820,000, which shall be paid in cash by the Company to the Vendor in the following manner:

- (i) A sum of HK\$10,000,000, being a deposit, shall be paid by the Company to the Vendor upon the signing of the SPA and such amount of deposit shall constitute part payment of the Consideration; and
- (ii) The remaining balance of the Consideration in the sum of HK\$31,820,000 shall be settled within three (3) Business Days after the Completion.

The Consideration was determined after arm's length negotiations between the Company and the Vendor after taking into account 30% of the fair value of the Target Group, i.e. HK\$41.82 million as at 31 October 2025, preliminarily valued by an independent valuer, Flagship Appraisal Consulting Limited, after taking into consideration the consolidated management accounts of the Target Group and under market approach. According to the valuation report set out in Appendix IV to this circular, the fair value of the Sale Shares was HK\$41.52 million as at 31 December 2025, which has taken into consideration the consolidated audited accounts of the Target Group set out in Appendix II to this circular. As the discrepancy of HK\$0.3 million is immaterial, and after taking into account the strategic value and synergies that the Target Group brings to the Company, no adjustment to the Consideration has been or will be made.

The Board's Assessment of the Valuation

The Board has reviewed and evaluated the valuation report prepared by Flagship Appraisals and Consulting Limited (the "**Independent Valuer**"), which was engaged by the Company, in relation to the valuation of the Target Group as set out in Appendix IV to this circular. In assessing the fairness and reasonableness of the appraised value of HK\$138,400,000, the Board has taken into account the following factors:

1. Valuation Approach and Methodology

The Board notes that the Independent Valuer adopted the Market Approach, specifically utilizing the Guideline Publicly Traded Company Method to determine the equity value, the Independent Valuer utilized both the Price-to-Earnings ("**P/E**") and

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Enterprise Value-to-Earnings Before Interest and Taxes (“EV/EBIT”) multiples. The Board considers the Market Approach to be the most appropriate methodology for this transaction on the basis that:

- (a) The Target Group is a mature, operational entity with a proven track record of stable profitability, generating an audited net profit after tax of approximately HK\$15,039,000 and HK\$12,454,000 for the two financial years ended 31 December 2025;
- (b) The Market Approach relies on objective, verifiable market data from publicly listed peers, thereby minimizing the high degree of subjectivity and speculative forecasting assumptions inherent in the Income Approach (such as a discounted cash flow analysis);
- (c) The P/E and EV/EBIT multiples are widely accepted as the standard and most reflective valuation metrics for earnings-driven manufacturing and retail businesses within the pharmaceutical and consumer healthcare sectors.

2. Selection Criteria for Comparable Companies

The Board has reviewed the selection criteria applied by the Independent Valuer in identifying the 9 comparable companies listed on the Main Board of the Stock Exchange. The Board satisfies that the screening criteria, which required peers to be actively traded, consistently profitable, and primarily engaged in the manufacturing, processing, trading, and/or sale of Traditional Chinese Medicine (“TCM”) or healthcare products, are fair, comprehensive, and directly relevant to the Target Group’s business profile.

3. Fairness of the Implied Transaction Multiples

The Board understands that for the selected comparable companies, the mean and median P/E multiples were approximately 12.96x and 11.33x, respectively, while the mean and median EV/EBIT multiples were approximately 13.48x and 9.08x. Based on the Target Group’s audited net profit for the financial year ended 31 December 2025 (approximately HK\$12,454,000), the implied transaction P/E multiple is approximately 11.19x. Given that the implied transaction multiple is below both the peer mean and median P/E multiples of publicly listed peers in the HKEX TCM sector, the Board is of the view that the Acquisition is priced conservatively and represents a highly favorable entry point for the Group.

4. Key Inputs, Adjustments, and Valuation Assumptions

The Board has discussed with the Independent Valuer the key adjustments applied to bridge the liquidity differences between a private target and public peers. Specifically, the Board reviewed the application of a **19% Discount for Lack of Marketability (“DLOM”)** derived via the Finnerty Average Strike Put Option Model. The Board considers the DLOM and the underlying mathematical parameters applied to be fair, reasonable, and in line with standard market valuation practices for minority stakes in private operating companies.

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Furthermore, the Board has reviewed the core operational assumptions, including the continuous validity of the Target Group's 184 registered proprietary Chinese medicine licenses, and considers them to be realistic and commercially sound.

5. *Scope of Work and Data Reliability*

The Board has assessed the scope of work performed by the Independent Valuer and confirms that the financial inputs used in the valuation models are fully reconciled with the audited financial historical information compiled by the reporting accountants as presented in Appendix II. The Independent Valuer has conducted market analysis, reviewed historical financial information from reliable sources, and held discussions with management regarding the business circumstances.

6. *Competency and Independence*

The Independent Valuer is led by Mr. Choy Sai Fuk, who has over 15 years of experience in the accounting and valuation professions. He has acted as a valuation specialist in numerous transactions involving listed companies in Hong Kong, Mainland China, Malaysia, and Singapore. His experience covers management consulting, project evaluation, initial public offerings, mergers and acquisitions, and the valuation of various types of businesses and assets. Mr. Choy had also been engaged as an independent valuer in matrimonial proceedings, providing expert opinion reports on various matters, including business valuations.

Besides, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Independent Valuer and its ultimate beneficial owner are independent of, and not connected with, the Vendor and its associates. As a result, the Board believes that the Independent Valuer is capable of delivering its independent judgment.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the valuation methodology, selection criteria of comparable companies, inputs, and assumptions adopted by the Independent Valuer are fair, reasonable, and robust. Consequently, the Board concludes that the Consideration, which was determined after arm's length negotiations with reference to the appraised value, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion is conditional upon each of the following conditions being satisfied:

- (a) the Company having informed the Vendor in writing that it is satisfied with the due diligence results in relation to financial, legal, tax and business aspects of the Target Group;

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- (b) the Company having obtained a legal opinion on the legality of Allways and Wing Ming from a qualified legal adviser and the Company is satisfied with such legal opinion;
- (c) there has been no improper or negative impact or material adverse change in the business, prospects, operations or finance of the Target Group from the date of the SPA to the date of Completion;
- (d) the SPA and the transaction contemplated thereunder having been complied with the Articles of Association and the requirements under the applicable laws, rules and regulations (including the Listing Rules);
- (e) the SPA and the transaction contemplated thereunder having been approved by a Shareholder or the Shareholders (as the case may be) in accordance with the Listing Rules;
- (f) the Company having received a certificate of incumbency and a certificate of good standing in relation to each of the Target Company and Rebound, which shall be dated within 30 days prior to the date of the SPA and the contents of which shall be in line with the SPA; and
- (g) all representations and warranties given by the Vendor shall remain true, accurate and not misleading from the date of the SPA to the date of Completion.

Pursuant to the SPA, the parties shall use their best endeavours to fulfil the Conditions Precedent. If any of the Conditions Precedent has not been fulfilled before the Long Stop Date, the Company shall not be obliged to complete the purchase of the Sale Shares and the SPA shall immediately cease and determined and any party to the SPA shall have the right to claim against the other for any antecedent breaches of the terms thereof. However, the Company may choose to continue to complete the purchase of the Sale Shares and request the Vendor to fulfil any of the outstanding Conditions Precedent after Completion. In addition, any party to the SPA shall have the right to claim against the other for loss and damage as a result of not using their best endeavours to fulfil any of the Conditions Precedent.

There is no provision in the SPA that any party thereto is entitled to waive any of the Conditions Precedent. As such, none of the Conditions Precedent has been waived. As at the Latest Practicable Date, conditions (a), (b), (d), (e) and (f) above have been satisfied, while the others are on-going matters.

As advised by the Hong Kong legal advisor of the Company, if a party to the SPA makes a claim against the other for antecedent breaches or a failure to use best endeavours to fulfill the Conditions Precedent, such claim will be governed by applicable legal principles of contractual remedies. The non-defaulting party shall be entitled to seek compensatory damages from the defaulting party. This includes, but is not limited to, recovering all direct financial losses, wasted transaction-related professional fees (such as legal, accounting, and

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valuation expenses), and any proven loss of commercial opportunity resulting directly from the counterparty's failure to exercise its best efforts to bring the transaction to completion. Whether a party to the SPA has failed to use its best endeavours is a matter of facts.

Completion

Completion shall take place on the third Business Days (or such other later date as to be agreed between the parties) upon the Conditions Precedent being satisfied.

INFORMATION OF THE COMPANY

The Company is an investment holding company and its subsidiaries are principally engaged in the production of proprietary Chinese medicine (PCM), in particular, over-the-counter and prescribed medicines intended for use by the middle-aged and the elderly in the PRC.

INFORMATION OF THE VENDOR

The Vendor is an investment holding company incorporated in the Cayman Islands. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner, namely Ms. Guo Bing (郭冰) are Independent Third Parties.

The Vendor was a substantial shareholder of Universal Health holding 30,640,263 shares, representing approximately 27.72% of the entire issued share capital of Universal Health. During the period from December 2015 to March 2018, the Vendor was wholly-owned by the late Mr. Xie Wei (謝偉) ("Mr. Xie"), who was a controlling Shareholder, a former executive Director and the spouse of Ms. Sun. In April 2018, Mr. Xie sold to Universal Health 11% of the issued shares of the Vendor. Mr. Xie, through the Vendor, held the remaining 89% of the issued shares of the Target Company until June 2019 when he disposed of all his interests in the Vendor to a legal entity ultimately wholly-owned by Ms. Guo Bing (郭冰) in order to focus on his business in the PRC.

INFORMATION OF THE TARGET GROUP

Each of the Target Company and Rebound is an investment holding company with limited liability, which has no operation. As at the date of this circular, Wing Ming is wholly-owned by Rebound, while Rebound is wholly-owned by Allways, which is in turn wholly-owned by the Target Company. The Target Company is owned as to 89% by the Vendor and 11% by Universal Health. The business operation of the Target Group is carried out by Wing Ming and Allways.

Allways is principally engaged in manufacturing of registered traditional Chinese medicines, which include a series of exceptional products, such as "Shen Dun Strong Seal Pills" (神盾海狗丸) and "Wing Ming Pai Feng Pill" (永明烏雞白鳳丸). Allways is licensed under the Chinese Medicine Ordinance (Cap. 549 of the laws of Hong Kong) to manufacture

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proprietary Chinese medicine, which possesses manufacturing facilities in Hong Kong. As at the date of this circular, Allways has registered 184 proprietary Chinese medicine in Hong Kong.

Wing Ming is principally engaged in online sales of proprietary Chinese medicine manufactured by Allways. The Target Group has, through Wing Ming, established different official flagship stores across major e-commerce platforms.

Set out below is the audited consolidated financial information of the Target Group for the two years ended 31 December 2025, prepared in accordance with HKFRS.

	For the year ended 31 December 2025 (audited) <i>HK\$'000</i>	For the year ended 31 December 2024 (audited) <i>HK\$'000</i>
Revenue	68,698	66,868
Profit before tax	17,447	17,435
Profit after tax	14,487	15,102

As at 31 December 2025, the unaudited consolidated total asset value and net asset value of the Target Group were approximately HK\$70.0 million and HK\$59.5 million respectively.

On 22 December 2025, the Target Group advanced a loan of HK\$14.4 million to Ms. Sun for her personal use. The loan was unsecured, interest-free and repayable on demand. The loan was repaid in full in January 2026.

Between August 2022 and October 2024, the Target Group advanced an unsecured, interest-free loan to Universal Health in the aggregate sum of HK\$2.47 million for use as its working capital. The loan was repayable on demand and is still outstanding as at the date of this circular.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As disclosed in the announcement of the Company in relation to subscription of new Shares under general mandate (the “**Subscription**”) dated 8 April 2025, among other things, the Company intends to apply 50% of the net proceeds raised under the Subscription for new business opportunities relating to Chinese medicine, including investment in Chinese medicine manufacturer.

The Company considers that making investment in a traditional Chinese medicine (TCM) manufacturer located in Hong Kong with production line and sales location in Hong Kong will enable the Group to extend its sales locations to Hong Kong and overseas.

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Given the fact that Allways is a licensed Chinese medicine manufacturer in Hong Kong and its geographical presence covers Hong Kong and Macau, the Board considers the Acquisition is in line with the Group's development strategy.

The Group is continuously seeking strategic opportunities to diversify its geographic presence, optimize its product mix, and transition toward high-growth sales channels. The Directors believe that the Acquisition represents a transformative milestone that perfectly executes the Group's operational business plan through three specific strategic sectors:

Strategic Localization of Manufacturing and the "Made in Hong Kong" Premium

To enhance its long-term brand equity and capture higher profit margins, the Group's business plan includes establishing a production footprint in markets with rigorous regulatory reputations. The Target Group, via Allways, possesses established, licensed manufacturing operations in Hong Kong. Post-Completion, the Group plans to collaborate operationally with the Target Group to leverage this facility. This will allow certain premium product lines to be blended, packaged, or manufactured under the prestigious "Made in Hong Kong" label, significantly accelerating the Group's brand acceptance and penetration into international markets, including Southeast Asia.

Direct Integration into an Established E-Commerce and DTC Ecosystem

A key component of the Group's future growth strategy is expanding its digital retail footprint and reducing reliance on traditional wholesale layers. Wing Ming is an established e-commerce operator with a proven track record of driving direct-to-consumer (DTC) online sales via major digital marketplaces. The Group intends to integrate its own product offerings into Wing Ming's digital distribution network. This will grant the Group instant, low-cost access to online consumers in Hong Kong and Macau, utilizing the Target Group's existing digital marketing expertise and local logistical infrastructure to drive immediate, high-margin revenue growth.

In view of the foregoing, the Directors consider that the terms of the SPA are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios of the transaction contemplated under the SPA is higher than 25% but lower than 100%, the entering into of the SPA constitute a major transaction of the Company and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for such approval. Modern Biotechnology, being a controlling Shareholder holding 402,000,000 Shares, representing approximately 55.83% of the issued Shares as at the date of this announcement, has given its written approval for the SPA and the transaction contemplated thereunder and such written approval can be accepted in lieu of

LETTER FROM THE BOARD

holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. As a result, no extraordinary general meeting of the Company will be convened for the purpose of approving the SPA pursuant to Rule 14.44 of the Listing Rules.

As at the Latest Practicable Date, the issued share capital of Modern Biotechnology is wholly-owned by Ms. Sun.

Completion is subject to the fulfilment of the Conditions Precedent set out in the SPA and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the SPA and the transaction contemplated thereunder are entered into on normal commercial terms which are made on an arm's length basis and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The Company has obtained from Modern Biotechnology a written approval for the SPA and the transaction contemplated thereunder in lieu of holding a general meeting of the Company, and hence, no general meeting of the Company will be convened to approve the SPA and the transaction contemplated thereunder.

FURTHER INFORMATION

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

Yours faithfully,
By order of the Board
Modern Chinese Medicine Group Co., Ltd.
Zhang Hongli
Chairman and Executive Director

Hong Kong, 26 June 2026

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 December 2025, 2024 and 2023 are disclosed in the following documents which have been published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.cdysjdyy.com/>), and can be accessible by the links as follows:

- (a) annual report of the Company for the year ended 31 December 2025 (pages 69 to 129) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0428/2026042804543.pdf>)
- (b) annual report of the Company for the year ended 31 December 2024 (pages 67 to 123) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0429/2025042903744.pdf>)
- (c) annual report of the Company for the year ended 31 December 2023 (pages 71 to 127) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0430/2024043002252.pdf>)

2. STATEMENT OF INDEBTEDNESS

At the close of business on 5 May 2026, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

Lease liabilities

The Group's lease liabilities amounted to approximately RMB70,000 as at 5 May 2026, which are unsecured and unguaranteed and represented a lease of an office premise for its operation. As at 5 May 2026, the weighted average effective interest rate of the Group's lease liabilities was approximately 4.8% per annum.

Contingent liabilities

As at the Latest Practicable Date, the Group had no contingent liabilities. The Group is currently not a party to any litigation that is likely to have a material adverse effect on its business, results of operations or financial condition taken as a whole. The Company confirms that there was no material change in its contingent liabilities since 5 May 2026, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular and up to the Latest Practicable Date.

Statement of Indebtedness

As at 5 May 2026, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, saved as disclosed above, the Group did not have any issued and outstanding, or authorised or otherwise

created but unissued mortgages, charges, pledges, debentures, loan capital, bank loans and overdrafts, term loans, debt securities or other similar indebtedness, leases liabilities, leases commitments or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, guarantees or any contingent liabilities.

The Company confirms that there were no material changes in the indebtedness of our Group since 5 May 2026, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, and up to the Latest Practicable Date.

Disclaimer

Save as aforesaid or otherwise mentioned herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 5 May 2026, the Group did not have any issued and outstanding, or authorised or otherwise created but unissued borrowings, loan capital, bank overdrafts, term loans, debt securities or other similar indebtedness, lease liabilities, lease commitments or hire purchase commitments liabilities under acceptances (other than no underline for highlighted normal trade bills) or acceptance credits, debentures, mortgages, charges, guarantees or other contingent liabilities.

The Company has obtained the relevant confirmations as required under Rule 14.66(12) of the Listing Rules.

3. WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the present available resources available to the Group and the internally generated funds, the Group will have sufficient working capital to satisfy its requirements for at least next 12 months following the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the production of proprietary Chinese medicine (PCM), in particular, over-the-counter and prescribed medicines intended for use by the middle-aged and the elderly in the PRC.

The Group currently has about 71 types of PCM products, the major products of which include Vigour and Vitality Supplement Pill (補腎填精丸), Circulation Enhancement Pill (氣血雙補丸), Cardiotonic Enhancement Capsule (山玫膠囊), Kidney Invigoration Pill (金匱腎氣丸), Heart Wellness Capsule (心安膠囊), Menstrual Discomfort Relief Pill (加味逍遙丸), Liver Detox Tablet (護肝片), Additional Ingredient Huoxiang ZhengQi Pill (加味藿香正氣丸), Liver-dispersing and Stomach Regulating Pill (舒肝和胃丸) and Fever-removing and Detoxification Pill (清瘟解毒丸).

Although the PCM market has witnessed considerable development in recent years, with the expansion of the industry scale and the advancement of the globalization process, it is also faced with a multitude of challenges. In 2025, due to intensified industry competition, the nationwide implementation of centralized procurement and price regulation for PCM has triggered a substantial decline in PCM prices. Simultaneously, in the face of environmental transformation, the economic operation is under pressure, and the operating benefits across all industries have markedly deteriorated, leading to a decrease in per capita income and a heightened sensitivity among consumers toward pharmaceutical pricing.

The Board believes that making investment in a reputed TCM manufacturer located in Hong Kong will enable the Group to extend its presence and sales locations outside mainland China, such as Hong Kong and bring stable income to the Group.

Following the Completion, the Group's financial and trading prospects for the financial year ending 31 December 2026 are expected to be driven by a dual-engine growth strategy. While the Group continues to maintain its solid market share and stable revenue streams from its core TCM manufacturing and distribution business within mainland China, the addition of the Target Group's 30% interest will introduce immediate geographic and channel diversification. Barring any unforeseen macroeconomic shocks, the Board anticipates that the Group's financial performance for 2026 will benefit from expanded sales network and e-commerce growth.

However, during recent years, a material portion of the retail demand in the Hong Kong and cross-border wellness market was heavily weighted toward respiratory, immune-boosting, and general antiviral TCM products. As public health conditions completely normalize globally in 2026, consumer purchasing habits are undergoing a rapid structural shift back to routine health maintenance, anti-aging, and chronic care products. If the Target Group fails to rapidly adapt its production lines and inventory to this shifting product mix, it could suffer inventory write-downs or revenue compression. Given the fact that the Company will equity-account for its 30% stake, any decline in the Target Group's profitability will directly reduce the Group's share of profits from associates and distort expected investment returns.

5. FINANCIAL EFFECT OF THE ACQUISITION ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Upon completion of the Acquisition, the Company will hold 30% interest in the issued share capital of the Target Company, and the Target Company will be accounted for as an associate of the Group.

The Directors expect that the Acquisition will not have a material impact on the earnings of the Company as the Target Group will not be consolidated into the financial statements of the Company by virtue of it being a 30% interest owned classified as investment in associate of the Group after Completion. It is estimated that upon Completion, (i) the Company will record an investment in associate in total assets of approximately

RMB38.7 million; (ii) there will be no effect on its total liabilities and (iii) there will be no impact on net profit or loss during the relevant financial year for so long as the Group maintains its shareholding interest in the Target Company at 30%.

The following is the text of a report, received from Proficient Merit CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF AI HEALTH GLOBAL HOLDINGS LIMITED (數智健康全球控股有限公司)

To the directors of AI Health Global Holdings Limited

Introduction

We report on the historical financial information of AI Health Global Holdings Limited (the “**Target Company**”) and its subsidiary (collectively, the “**Target Group**”) set out on pages II-1 to II-41, which comprises the consolidated statements of financial position as at 31 December 2023, 31 December 2024 and 31 December 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2023, 31 December 2024 and 31 December 2025 (the “**Relevant Periods**”) and material accounting policy information and other explanatory information (the “**Historical Financial Information**”). The Historical Financial Information set out on pages II-1 to II-41 forms an integral part of this report, which has been prepared for inclusion in the circular of Modern Chinese Medicine Group Co., Limited (the “**Company**”) dated 26 June 2025 (the “**Circular**”) in connection with the proposed acquisition of the 30% equity interests of the Target Company by the Company (the “**Acquisition**”).

Directors' responsibility for the Historical Financial Information

The directors of the Target Company and the 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 and presentation set out in Note 3 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 Target 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 Target 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 the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3 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 purpose of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2023, 31 December 2024 and 31 December 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 3 to the Historical Financial Information.

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 have been made.

Dividends

We refer to Note 31 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

Proficient Merit CPA Limited

Certified Public Accountants

Chiu Cheuk Laam

Practising certificate number P08571

Hong Kong, 26 June 2026

HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

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

The consolidated 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 HKFRS Accounting Standards issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong dollars ("**HK\$**") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

Consolidated statements of profit or loss and other comprehensive income

	<i>Notes</i>	Year ended 31 December		
		2025	2024	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	71,474	66,883	63,719
Cost of sales		<u>(20,972)</u>	<u>(18,072)</u>	<u>(22,512)</u>
Gross profit		50,502	48,811	41,207
Other income, gains and losses, net	6	1,911	1,736	3,852
Selling and distribution expenses		(12,988)	(12,681)	(11,720)
Administrative and other operating expenses		(23,011)	(19,701)	(17,610)
Finance costs	8	<u>(1,101)</u>	<u>(793)</u>	<u>(723)</u>
Profit before income tax	7	15,313	17,372	15,006
Income tax expenses	10	<u>(2,859)</u>	<u>(2,333)</u>	<u>(1,754)</u>
Profit for the year		<u>12,454</u>	<u>15,039</u>	<u>13,252</u>
Other comprehensive income for the year, net of tax		<u>—</u>	<u>—</u>	<u>—</u>
Total other comprehensive income for the year, net of tax		<u>12,454</u>	<u>15,039</u>	<u>13,252</u>

The notes on pages II-10 to II-41 are an integral part of these financial statements.

Consolidated statements of financial position

	<i>Notes</i>	Year ended 31 December		
		2025	2024	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	11	3,623	3,604	2,532
Right-of-use assets	12	21,379	10,510	10,305
Intangible assets	13	966	968	1,307
		<u>25,968</u>	<u>15,082</u>	<u>14,144</u>
Current assets				
Inventories	14	6,682	5,805	4,035
Trade and other receivables	15	34,107	14,630	11,733
Financial assets at fair value through profit or loss	16	835	–	–
Amount due from a shareholder	17	2,470	2,470	469
Amount due from a director	18	13,109	10,070	9,952
Deposits with banks	19	–	13,000	7,000
Cash and cash equivalents	19	12,110	8,398	10,614
		<u>69,313</u>	<u>54,373</u>	<u>43,803</u>
Current liabilities				
Trade payables	20	1,348	341	238
Other payables and accruals	21	5,967	3,123	6,587
Interest-bearing bank borrowings	23	–	1,053	2,327
Lease liabilities	22	3,966	3,516	4,384
Income tax payable	10	524	995	313
		<u>11,805</u>	<u>9,028</u>	<u>13,849</u>
Net current assets		<u>57,508</u>	<u>45,345</u>	<u>29,954</u>
Total assets less current liability		<u>83,476</u>	<u>60,427</u>	<u>44,098</u>

	<i>Notes</i>	Year ended 31 December		
		2025	2024	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities				
Lease liabilities	22	<u>18,180</u>	<u>7,586</u>	<u>6,296</u>
		<u>18,180</u>	<u>7,586</u>	<u>6,296</u>
Net assets		<u>65,296</u>	<u>52,841</u>	<u>37,802</u>
EQUITY				
Share capital	24	78	78	78
Reserves		<u>65,217</u>	<u>52,763</u>	<u>37,724</u>
TOTAL EQUITY		<u><u>65,296</u></u>	<u><u>52,841</u></u>	<u><u>37,802</u></u>

The notes on pages II-10 to II-41 are an integral part of these financial statements.

Consolidated statements of changes in equity

	Share Capital <i>HK\$'000</i>	Retained Profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 January 2023	78	24,472	24,550
Profit for the year and total comprehensive income for the year	<u>—</u>	<u>13,252</u>	<u>13,252</u>
Balance as at 31 December 2023	<u><u>78</u></u>	<u><u>37,724</u></u>	<u><u>37,802</u></u>
Balance as at 1 January 2024	78	37,724	37,802
Profit for the year and total comprehensive income for the year	<u>—</u>	<u>15,039</u>	<u>15,039</u>
Balance as at 31 December 2024	<u><u>78</u></u>	<u><u>52,763</u></u>	<u><u>52,841</u></u>
Balance as at 1 January 2025	78	52,763	52,841
Profit for the year and total comprehensive income for the year	<u>—</u>	<u>12,454</u>	<u>12,454</u>
Balance as at 31 December 2025	<u><u>78</u></u>	<u><u>65,217</u></u>	<u><u>65,296</u></u>

The notes on pages II-10 to II-41 are an integral part of these financial statements.

APPENDIX II ACCOUNTANTS REPORT ON THE TARGET GROUP

Consolidated statements of cash flows

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
OPERATING ACTIVITIES			
Profit before tax	15,313	17,372	15,006
<i>Adjustments for:</i>			
Depreciation	6,272	6,291	5,353
Amortisation	376	339	336
Finance costs	14	63	103
Interest income	(350)	(258)	(3)
Written off of disposal of property, plant and equipment	–	986	500
Net realized and unrealized loss on Financial Assets at Fair Value through Profit or Loss	36	–	–
Reversal of provision of warranty	–	–	(1,843)
(Reversal of) provision for loss allowances, net	<u>222</u>	<u>(248)</u>	<u>(380)</u>
Operating profit before movements in working capital	21,883	24,545	19,072
Changes in working capital:			
Inventories	(877)	(1,770)	3,978
Trade and other receivables	(19,699)	(2,649)	1,495
Trade payables	1,007	103	(695)
Other payables and accrual	<u>2,844</u>	<u>(3,464)</u>	<u>(2,624)</u>
Cash generated from operations	5,158	16,765	21,226
Hong Kong tax paid	(3,329)	(1,651)	(2,191)
Interest paid	(14)	(63)	(103)
Interest received	<u>350</u>	<u>258</u>	<u>3</u>
Net cash from operating activities	<u>2,165</u>	<u>15,309</u>	<u>18,935</u>
INVESTING ACTIVITIES			
Payment for purchase of intangible assets	(374)	–	(56)
Payment for purchase of property, plant and equipment	(17,160)	(8,554)	(5,493)
Purchase of investment	(1,177)	–	–
Proceeds from disposal of investment	306	–	–
Uplift/(withdrawal) of fixed deposits held at banks with maturity over three months	<u>13,000</u>	<u>(6,000)</u>	<u>(7,000)</u>
Net cash used in investing activities	<u>(5,405)</u>	<u>(14,554)</u>	<u>(12,549)</u>

APPENDIX II**ACCOUNTANTS REPORT ON THE TARGET GROUP**

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
FINANCING ACTIVITIES			
New leases entered	16,081	5,749	5,073
Payment of lease liabilities	(5,037)	(5,327)	(4,197)
Repayment of bank loan	(1,053)	(1,274)	(1,231)
Decrease in amount due from ultimate holding	—	—	15
(Increase)/decrease in amount due from a shareholder	—	(2,001)	46
Increase in amount due from a director	<u>(3,039)</u>	<u>(118)</u>	<u>(6,323)</u>
Net cash from (used in) financing activities	<u>6,952</u>	<u>(2,971)</u>	<u>(6,617)</u>
Net increase (decrease) in cash and cash equivalents	3,712	(2,216)	(231)
Cash and cash equivalents at the beginning of the reporting period	<u>8,398</u>	<u>10,614</u>	<u>10,845</u>
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	<u><u>12,110</u></u>	<u><u>8,398</u></u>	<u><u>10,614</u></u>

The notes on pages II-10 to II-41 are an integral part of these financial statements.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

AI Health Global Holdings Limited (the “**Target Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 15 January 2018. The address of registered office is located at P.O.Box 2775, 71 Fort Street, 3rd Floor, Grand Cayman, KY1-1111, Cayman Islands °.

In the opinion of the director of the Target Company, the immediate holding company is Huang Yu Holdings Limited, a limited liability company incorporated in British Virgin Islands (the “**BVI**”). The ultimate holding company is Oceanic Empire Investments Limited, a limited liability company incorporated in the BVI, which is controlled by Mr. Luo WenLong (the “**Controlling Shareholder**”).

The Target Company is an investment holding company and its subsidiaries are principally engaged in wholesales and retailing of health-care products and Chinese patent medicines under the trade names “Wing Ming Company 永明公司”, “America Health Food Pharmacopeia Co 美國健康食品研究公司” and “日本強心純漢藥化學公司” in Hong Kong.

The Historical Financial Information is presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

As at the date of this report, the Target Company had direct and indirect interests in the following subsidiaries, all of which are private limited liability companies, and the particulars of which are set out below:

Name of subsidiary	Place of incorporation/ operation	Date of incorporation/ establishment	Issued and paid-up share capital	Equity interest attributable to the Company	Principal activities
<u>Directly held</u>					
Allways Health-Care Corporation Limited (“ Allways ”)	Hong Kong	4 April 1995	HK\$10,000	100%	trading of health-care products and Chinese patent medicines
<u>Indirectly held</u>					
Rebound Global Limited (“ Rebound ”)	BVI	11 June 2014	United States dollar (US\$) 1	100%	Investment holding
Hong Kong Wing Ming Medical Limited (“ Wing Ming ”)	Hong Kong	25 July 2014	HK\$1	100%	wholesales and retailing of health-care products and Chinese patent medicines

2. Application of new and amendments to HKFRS Accounting Standards

During the Relevant Periods, the Target Group had adopted all the new and revised HKFRS Accounting Standards issued by HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2025. HKFRS Accounting Standards comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations.

The Target Group has not applied the new and revised HKFRS Accounting Standards that have been issued but are not yet effective. The Target Group has already commenced an assessment of the impact of these new and revised HKFRS Accounting Standards but is not yet in a position to state whether these new and revised HKFRS Accounting Standards would have a material effect on the results of operations and financial position of the Target Group.

3. Basis of preparation of historical financial information and material accounting policy information

Basis of preparation of the Historical Financial Information

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and accounting principles generally accepted in Hong Kong. The Historical Financial Information includes the applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information is disclosed in Note 4.

Revenue recognition

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Target Group is health-care products and Chinese patent medicines.

Identification of performance obligations

At contract inception, the Target Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- (b) the Target Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Target Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Target Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;
- (b) the Target Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) 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.

If a performance obligation is not satisfied over time, the Target Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Target Group

considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Sale of healthcare and other pharmaceutical products are recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Other income

Interest income

Interest income is recognised using the effective interest method.

Leases

Definition of a lease

The Target Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Target Group as a lessee

Right-of-use assets

The cost of right-of-use assets includes the amount of the initial measurement of the lease liability.

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 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 as a separate line item on the consolidated statement of financial position.

Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Target Group operates (“**the functional currency**”). The financial statements are presented in HK\$, which is the Target Group’s functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Salaries, annual bonuses, paid annual leave and other leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are measured at their present values.

The Target Group operates a defined contribution plan under mandatory provident fund plan. The Target Group pays contributions to the independent administrator on a mandatory basis. The Target Group has no further payment obligations once the contributions are paid. The contributions are recognised as employee benefit expense when they are incurred and the cost can be measured reliably.

Taxation

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carried forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carried forward unused tax credits and unused tax losses can be utilised, except in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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 (other than construction in progress as described below). 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.

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.

Intangible assets

Intangible assets are measured at initial recognition at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation of Chinese medicines proprietary and trademark is calculated to write off the cost of each intangible asset to profit or loss unless it is included in the carrying amount of another asset on a systematic basis using the straight-line method over the period of 10 years. The useful lives of the intangible assets are reviewed annually. If necessary, the amortisation method or useful life of that asset is amended prospectively to reflect the new expectation.

Impairment of tangible and intangible assets

At the end of each reporting period, the Target Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair values less costs to sell 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 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. An impairment loss is recognised immediately in profit or loss. In allocation 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-rate basis based on the carrying amount of each asset in the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out (FIFO) method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales. 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.

Financial instruments

Financial assets and financial liabilities are recognised when a Target Group entity becomes a party to the contractual provisions of the instrument. 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 by regulation or convention in the market place.

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 IFRS 15.

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 period. 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

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.

All other financial assets are subsequently measured at financial assets at fair value through profit or loss.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets 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. 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 each reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Target Group recognises loss allowances for expected credit losses (“ECL”) on financial assets that are measured at amortised cost to which the impairment requirements apply in accordance with IFRS 9. At each reporting date, the Target Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Target Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement 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.

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.

For trade receivables, the Target Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Target Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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 at amortised cost

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or have expired.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at bank, which are not restricted as to use.

Related parties

A related party is a person or entity that is related to the Target Group.

- (a) A person or a close member of that person's family is related to the Target Group 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) An entity is related to the Target Group if any of the following conditions applies:
 - (i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (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) Both entities 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. If the Target Group is itself such a plan, the sponsoring employers are also 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 a 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

Useful lives of property, plant and equipment and intangible assets

The Target Group determines the estimated useful lives and related depreciation/amortisation charges for the property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Net realisable value of inventories

The Target Group recognises write-down on inventories based on an assessment of the net realisable value of the inventories. Write-down is applied to the inventories where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of the inventories and write-down on inventories charged to the statement of comprehensive income in the period in which such estimate has been changed.

Provision of ECL for trade receivables

The Target Group estimates the amount of 12-month ECL and lifetime ECL of trade receivables based on the valuations performed by the management for the years ended 31 December 2023, 2024 and 2025. For the ECL assessment of trade receivables based on provision matrix which is through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables, adjusted for

factors that are specific to the debtors. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information.

As at 31 December 2023, 2024 and 2025, the carrying amounts of trade receivables are set out in Note 15.

5. Revenue

The Target Group's revenue is derived from contracts of customers. Revenue from sales of health-care products and Chinese patent medicines are recognised at point in time. All the contracts with customers are agreed at fixed price.

The following is an analysis of the Target Group's revenue:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from contracts with customers			
Sale of goods	<u>71,474</u>	<u>66,883</u>	<u>63,719</u>
Types of goods			
Health-care products and Chinese patent medicines	<u>71,474</u>	<u>66,883</u>	<u>63,719</u>
Types of goods			
Hong Kong	70,964	66,160	61,694
Macau	<u>510</u>	<u>723</u>	<u>2,025</u>
	<u>71,474</u>	<u>66,883</u>	<u>63,719</u>
Timing of revenue recognition			
Goods transferred at a point in time and total revenue from contracts with customers	<u>71,474</u>	<u>66,883</u>	<u>63,719</u>

The major customers which contributed more than 10% of total revenue are listed as below:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A	<u>7,371</u>	<u>7,008</u>	<u>8,342</u>

6. Other income, gains and losses, net

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other income			
Interest income	350	258	3
Other income	<u>1,747</u>	<u>1,302</u>	<u>1,640</u>
	<u>2,097</u>	<u>1,560</u>	<u>1,643</u>
Other gains (losses) – net			
Exchange gain (losses), net	–	(10)	(5)
Reversal of provision of warranty	–	–	1,843
Net realized and unrealized loss on Financial Assets at fair value through profit or loss	36	–	–
(Reversal of) provision for loss allowances, net	<u>(222)</u>	<u>186</u>	<u>351</u>
	<u>(186)</u>	<u>176</u>	<u>2,209</u>

7. Profit before income tax

The Target Group's profit before income tax is arrived at after charging/(crediting):

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cost of inventories sold	20,972	18,072	22,512
Auditor's remuneration	77	77	99
Depreciation of property, plant and equipment	1,060	747	780
Depreciation of right-of-use assets	5,212	5,544	4,573
Amortisation of intangible assets	376	339	336
Employee benefit expense			
– Directors' remuneration	30	79	–
– Wages and salaries	10,089	9,464	7,808
– MPF contribution	452	464	426
Written off of property, plant and equipment	<u>–</u>	<u>986</u>	<u>500</u>

8. Finance costs

	2025	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank and other borrowings	14	63	103
Interest on lease liabilities	<u>1,087</u>	<u>730</u>	<u>620</u>
	<u>1,101</u>	<u>793</u>	<u>723</u>

9. Directors' remuneration

Details of the emoluments paid to the directors of the Target Group during the year, disclosed pursuant to the applicable Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosures of Information about Benefits of Directors) Regulation, are as follows:

	2025	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	—	—	—
Salaries and allowances	30	79	—
Contributions to retirement benefits scheme	<u>—</u>	<u>—</u>	<u>—</u>
	<u>30</u>	<u>79</u>	<u>—</u>

The emoluments were paid or payable to Ms Guo Bing, the former sole director of the Target Group, in respect of the director's services to the Target Group during the Relevant Periods. Ms Guo Bing resigned as a director of the Target Group on 26 February 2026.

10. Income tax expense

The income tax expense can be reconciled to the profit before income tax as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit before income tax	<u>15,313</u>	<u>17,372</u>	<u>15,006</u>
Tax at the statutory rate of 16.5%	2,527	2,866	2,476
Effect of two-tiered profits tax rates regime	(165)	(165)	(165)
Non-deductible expenses	349	7	50
Income not subject to tax	(84)	(73)	(480)
Temporary differences not recognised	104	(177)	236
Utilisation of unrecognised tax losses	–	(49)	(367)
Tax losses not recognised	130	7	7
Tax deduction	(3)	(3)	(3)
Over/(under) provision for the year	–	(80)	–
Others	<u>1</u>	<u>–</u>	<u>–</u>
Income tax credit expenses for the year	<u>2,859</u>	<u>2,333</u>	<u>1,754</u>

No provision for deferred taxation has been made in view of immaterial effect.

11. Property, plant and equipment

	Leasehold improvement <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Computer & electronic equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
As at 1 January 2023	5,955	1,913	1,198	557	9,623
Additions	–	124	200	96	420
Disposals	<u>(361)</u>	<u>(923)</u>	<u>(435)</u>	<u>(251)</u>	<u>(1,970)</u>
At 31 December 2023 and 1 January 2024	5,594	1,114	963	402	8,073
Additions	932	659	1,204	10	2,805
Disposals	<u>(2,381)</u>	<u>(68)</u>	<u>(551)</u>	<u>(118)</u>	<u>(3,118)</u>
At 31 December 2024 and 1 January 2025	4,145	1,705	1,616	294	7,760
Additions	304	338	378	59	1,079
Disposals	<u>–</u>	<u>(18)</u>	<u>–</u>	<u>–</u>	<u>(18)</u>
As at 31 December 2025	<u>4,449</u>	<u>2,025</u>	<u>1,994</u>	<u>353</u>	<u>8,821</u>

APPENDIX II
ACCOUNTANTS REPORT ON THE TARGET GROUP

	Leasehold improvement <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Computer & electronic equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Accumulated depreciation:					
As at 1 January 2023	3,518	1,381	1,031	301	6,231
Charge for the year	430	162	134	54	780
Written back	<u>(347)</u>	<u>(615)</u>	<u>(435)</u>	<u>(73)</u>	<u>(1,470)</u>
At 31 December 2023 and 1 January 2024	3,601	928	730	282	5,541
Charge for the year	406	122	176	43	747
Written back	<u>(1,401)</u>	<u>(67)</u>	<u>(546)</u>	<u>(118)</u>	<u>(2,132)</u>
At 31 December 2024 and 1 January 2025	2,606	983	360	207	4,156
Charge for the year	511	181	328	40	1,060
Written back	<u>–</u>	<u>(18)</u>	<u>–</u>	<u>–</u>	<u>(18)</u>
As at 31 December 2025	<u><u>3,117</u></u>	<u><u>1,146</u></u>	<u><u>688</u></u>	<u><u>247</u></u>	<u><u>5,198</u></u>
Carrying amount:					
As at 31 December 2025	<u><u>1,332</u></u>	<u><u>879</u></u>	<u><u>1,306</u></u>	<u><u>106</u></u>	<u><u>3,623</u></u>
As at 31 December 2024	<u><u>1,539</u></u>	<u><u>722</u></u>	<u><u>1,256</u></u>	<u><u>87</u></u>	<u><u>3,604</u></u>
As at 31 December 2023	<u><u>1,993</u></u>	<u><u>186</u></u>	<u><u>233</u></u>	<u><u>120</u></u>	<u><u>2,532</u></u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the following years after taking into account the residual values:

Leasehold improvements	10%-30%
Plant and machinery	20%
Furniture, fixtures and office equipment	20%
Computer & electronic equipment	20%

12. Right-of-use assets

Right-of-use assets represent lump sum considerations paid/payable by the Target Group to lease of office premises located in Hong Kong. The Target Group leases various office premises for its daily operations and lease terms are 3 years to 4 years from the respective inception.

	Office premises <i>HK\$'000</i>
At 1 January 2023, net of accumulated depreciations	–
Effect of adoption of HKFRS 16	<u>9,805</u>
At 1 January 2023 (restated)	9,805
Additions	5,073
Depreciation provided for the year	<u>(4,573)</u>
At 31 December 2023 and 1 January 2024, net of accumulated depreciations	10,305
Additions	5,749
Depreciation provided for the year	<u>(5,544)</u>
At 31 December 2024 and 1 January 2025, net of accumulated depreciations	10,510
Additions	16,081
Depreciation provided for the year	<u>(5,212)</u>
At 31 December 2025, net of accumulated depreciations	<u><u>21,379</u></u>

13. Intangible assets

	Chinese medicines proprietary <i>HK\$'000</i>	Trademark <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
As at 1 January 2023	1,540	1,800	3,340
Additions	<u>56</u>	<u>—</u>	<u>56</u>
At 31 December 2023 and 1 January 2024 and 31 December 2024	1,596	1,800	3,396
Additions	<u>370</u>	<u>4</u>	<u>374</u>
As at 31 December 2025	<u><u>1,966</u></u>	<u><u>1,804</u></u>	<u><u>3,770</u></u>
Accumulated amortization and impairment:			
As at 1 January 2023	958	795	1,753
Charge for the year	<u>156</u>	<u>180</u>	<u>336</u>
At 31 December 2023 and 1 January 2024	1,114	975	2,089
Charge for the year	<u>159</u>	<u>180</u>	<u>339</u>
At 31 December 2024 and 1 January 2025	1,273	1,155	2,428
Charge for the year	<u>196</u>	<u>180</u>	<u>376</u>
As at 31 December 2025	<u><u>1,469</u></u>	<u><u>1,335</u></u>	<u><u>2,804</u></u>
Carrying amount:			
As at 31 December 2025	<u><u>497</u></u>	<u><u>469</u></u>	<u><u>966</u></u>
As at 31 December 2024	<u><u>323</u></u>	<u><u>645</u></u>	<u><u>968</u></u>
As at 31 December 2023	<u><u>482</u></u>	<u><u>825</u></u>	<u><u>1,307</u></u>

14. Inventories

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Health-care products and packing materials	<u>6,682</u>	<u>5,805</u>	<u>4,035</u>

15. Trade and other receivables

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables			
From third parties (<i>Note (a)</i>)	14,756	8,855	8,350
Less: Loss allowances	<u>(262)</u>	<u>(40)</u>	<u>(288)</u>
	<u>14,494</u>	<u>8,815</u>	<u>8,062</u>
Other receivables			
Prepayments	150	350	150
Prepayments for purchase of packing materials	2,745	2,703	1,866
Rental and utility deposits	1,213	1,196	1,112
Sundry deposits	1,032	696	543
Other receivables (<i>Note (b)</i>)	<u>14,473</u>	<u>870</u>	<u>—</u>
	<u>19,613</u>	<u>5,815</u>	<u>3,671</u>
	<u>34,107</u>	<u>14,630</u>	<u>11,733</u>

(a) Trade receivables:

The Target Group generally allows a credit period of 0 to 120 days from the invoice date for trade receivables to its external customers. The following is an aging analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of each reporting period:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 3 months	13,384	7,767	6,440
3 to 6 months	889	920	1,622
Over 6 months but within one year	<u>221</u>	<u>128</u>	<u>—</u>
	<u>14,494</u>	<u>8,815</u>	<u>8,062</u>

At the end of each reporting period, the ageing analysis of trade receivables, net of loss allowances, by due date is as follows:

	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000
Not yet past due	<u>14,494</u>	<u>8,815</u>	<u>8,062</u>

- (b) The other receivables represent amounts due from Ms. Sun Xinlei, an executive director and a controlling Shareholder of Modern Chinese Medicine Group Co., Ltd. (Stock code: 1643) of HK\$14.4 million for her personal use. The loan was unsecured, interest-free and repayable on demand. The loan was repaid in full in January 2026.

16. Investment

	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000
Financial assets at fair value through profit or loss			
– Listed Equity Investments in Hong Kong (Note)	<u>835</u>	<u>–</u>	<u>–</u>
	<u>835</u>	<u>–</u>	<u>–</u>

Note:

As at 31 December 2025, the listed equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

17. Amount due from a shareholder

	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000
Loan to a shareholder	<u>2,470</u>	<u>2,470</u>	<u>469</u>

The Target Group advanced an unsecured, interest-free loan to Universal Health International Group Holding Limited (Stock code: 2211) for working capital purposes. The loan was repayable on demand.

18. Amount due from a director

	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000
Guo Bing	<u>13,109</u>	<u>10,070</u>	<u>9,952</u>

The Target Group advanced an unsecured, interest-free loan to Ms. Guo Bing for her personal use. The loan was repayable on demand. Ms. Guo Bing repaid the outstanding balance in full in January 2026 and ceased to be a director of the Target Company on 26 February 2026.

19. Deposit with banks, cash and cash equivalents

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bank balances and cash	12,110	8,398	10,614
Time deposits	<u>–</u>	<u>13,000</u>	<u>7,000</u>
Subtotal	12,110	21,398	17,614
Less: time deposits more than three months to maturity	<u>–</u>	<u>(13,000)</u>	<u>(7,000)</u>
Cash and cash equivalents	<u><u>12,110</u></u>	<u><u>8,398</u></u>	<u><u>10,614</u></u>

Time deposits which are more than three months to maturity when placed are made for varying periods of between three months and one year and earn interest at the respective deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. Trade payables

The ageing analysis of the trade payables is as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 6 months	1,323	316	183
Over 6 months	<u>25</u>	<u>25</u>	<u>55</u>
	<u><u>1,348</u></u>	<u><u>341</u></u>	<u><u>238</u></u>

21. Other payables and accruals

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Salary payables	1,668	1,614	1,453
Other accrued expenses	3,285	1,071	631
Contract liabilities (a)	<u>1,014</u>	<u>438</u>	<u>4,503</u>
	<u><u>5,967</u></u>	<u><u>3,123</u></u>	<u><u>6,587</u></u>

Notes:

- (a) the Target Group's obligation to transfer goods or services to customers for which the Target Group has received consideration from the customers. During the years ended 31 December 2023, 2024 and 2025, the contract liabilities balance at the beginning of the year were fully recognised as revenue from sale of goods.

22. Lease Liabilities

The Target Group as lessee

The Target Group had the following amounts relating to leases during the years ended 31 December 2023, 2024 and 2025:

	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000
Lease liabilities			
Current portion	3,966	3,516	4,384
Non-current portion	18,180	7,586	6,296
	<u>22,146</u>	<u>11,102</u>	<u>10,680</u>

Commitments and present value of lease liabilities:

	Lease payments			Present value of lease payments		
	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000
Amounts payable:						
Within one year	5,180	4,076	4,900	3,966	3,516	4,385
In the second year	4,736	1,961	2,243	1,917	1,532	1,938
In the third to fifth years	12,372	3,653	2,429	12,534	2,797	1,764
Over 5 years	3,987	3,692	3,016	3,729	3,257	2,593
	26,275	13,382	12,588	22,146	11,102	10,680
Less: future finance charges	4,129	2,280	1,908	—	—	—
Total lease liabilities	<u>22,146</u>	<u>11,102</u>	<u>10,680</u>	<u>22,146</u>	<u>11,102</u>	<u>10,680</u>

The total cash outflows for leases were approximately HK\$3,341,120, HK\$6,297,420 and HK\$6,123,960 for the years ended 31 December 2023, 2024 and 2025 respectively.

23. Interest-bearing bank borrowings

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 1 year or on demand			
– unsecured	<u>–</u>	<u>1,053</u>	<u>2,327</u>

Notes:

- (a) the bank loan was guaranteed by Ms. Guo Bing, the former director of Allways.
- (b) borrowings bear interest at a rate of 3.625% per annum for the year ended 31 December 2023, 3.125% per annum for the years ended 31 December 2024 and 2025.

24. Share capital

	Number of shares '000	Amount US\$'000	Equivalent to HK\$ HK\$'000
Ordinary share of US\$0.001 each			
Authorised:			
As at 1 January 2023, 31 December 2023, 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	<u>50,000</u>	<u>50</u>	<u>389</u>
Issued and fully paid:			
As at 31 December 2025	<u>10,000</u>	<u>10</u>	<u>78</u>
As at 31 December 2024	<u>10,000</u>	<u>10</u>	<u>78</u>
As at 31 December 2023	<u>10,000</u>	<u>10</u>	<u>78</u>

25. Reconciliation of liabilities arising from financing activities

	Borrowings HK\$'000	Amount due from ultimate holding company HK\$'000	Amount due from a shareholder HK\$'000	Amount due from a director HK\$'000	Total HK\$'000
At 1 January 2023	3,558	15	515	3,629	7,717
Advance from a director	–	–	–	6,323	6,323
Repayment of borrowings	(1,231)	(15)	(46)	–	(1,292)
At 31 December 2023 and 1 January 2024	2,327	–	469	9,952	12,748
Advance from a director	–	–	–	118	118
Advance from a shareholder	–	–	2,001	–	2,001
Repayment of borrowings	(1,274)	–	–	–	(1,274)
At 31 December 2024 and 1 January 2025	1,053	–	2,470	10,070	13,593
Advance from a director	–	–	–	3,039	3,039
Repayment of borrowings	(1,053)	–	–	–	(1,053)
At 31 December 2025	–	–	2,470	13,109	15,579

26. 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 shareholders through the optimisation of the debt and equity balances. The Target Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Group consists of net debt, which includes bank borrowings, net of cash and bank balances, amount due from a shareholder/a director, and equity attributable to owners of the Target Group, comprising share capital and reserves as disclosed in consolidated statements of changes in equity.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Target Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debts.

27. Financial instruments**(a) Categories of financial instruments**

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Financial assets			
Financial assets at amortised cost	58,901	45,515	37,752
Financial assets at fair value through profit or loss	835	—	—
	<u>59,736</u>	<u>45,515</u>	<u>37,752</u>
Financial liabilities			
Financial liabilities at amortised cost	<u>6,301</u>	<u>4,079</u>	<u>2,322</u>

(b) Financial risk management objectives and policies

The Target Group's major financial instruments include trade and other receivables, trade and other payables, cash and bank balances, lease liabilities and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Target Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Target Group's activities expose the Target Group primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Currency risk

The Target Group is not exposed to significant foreign currency risk as most revenue and expenses are denominated in the functional currency of the Target Group.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The Target Group is exposed to cash flow interest rate risk on the variable rate of

interest earned on the bank balances and variable rate of interest incurred on borrowings. The Target Group regularly reviews and monitors the floating interest rate borrowings in order to manage its interest rate risk. The interest-bearing bank borrowings are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the consolidated statement of profit or loss as earned/incurred.

The following table details the Target Group's interest-bearing financial assets and liabilities at variable rates as at the end of each reporting period:

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Target Group's loss before tax (through the impact on floating rate borrowings).

	Increase in Interest rate %	Increase in the Group's loss before tax HK\$'000
2025	<u>1</u>	<u>–</u>
2024	<u>1</u>	<u>105</u>
2023	<u>1</u>	<u>233</u>

Credit risk

Credit risk refers to the risk that the Target Group's counterparties default on their contractual obligations resulting in financial losses to the Target Group. The Target Group's credit risk exposures are primarily attributable to trade receivables and bank balances. The Target Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Target Group performed impairment assessment for financial assets under ECL model. Information about the Target Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables arising from contracts with customers

The Target Group trades with recognised and creditworthy third parties. It is the Target Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The Target Group reviews the recoverable amount of each individual significant trade debt at the end of each reporting

period to ensure that adequate impairment loss is recognised for irrecoverable amount. In this regard, the directors of the Target Group consider that the Target Group's credit risk is significantly reduced.

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs		Lifetime ECLs Simplified approach		Total
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	HK\$'000	HK\$'000
Trade receivables	—	—	—	8,062	8,062
Rental and utility deposits	1,112	—	—	—	1,112
Sundry deposit	543	—	—	—	543
Amount due from a shareholder	469	—	—	—	469
Amount due from a director	9,952	—	—	—	9,952
Deposits with banks	7,000	—	—	—	7,000
Cash and cash equivalents	10,614	—	—	—	10,614
	<u>29,690</u>	<u>—</u>	<u>—</u>	<u>8,062</u>	<u>37,752</u>

As at 31 December 2024

	12-month ECLs		Lifetime ECLs Simplified approach		Total
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	HK\$'000	HK\$'000
Trade receivables	—	—	—	8,815	8,815
Rental and utility deposits	1,196	—	—	—	1,196
Sundry deposit	696	—	—	—	696
Other receivables	870	—	—	—	870
Amount due from a shareholder	2,470	—	—	—	2,470
Amount due from a director	10,070	—	—	—	10,070
Deposits with banks	13,000	—	—	—	13,000
Cash and cash equivalents	8,398	—	—	—	8,398
	<u>36,700</u>	<u>—</u>	<u>—</u>	<u>8,815</u>	<u>45,515</u>

As at 31 December 2025

	12-month ECLs		Lifetime ECLs		Total
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Trade receivables	—	—	—	14,494	14,494
Rental and utility deposits	1,213	—	—	—	1,213
Sundry deposit	1,032	—	—	—	1,032
Other receivables	14,473	—	—	—	14,473
Amount due from a shareholder	2,470	—	—	—	2,470
Amount due from a director	13,109	—	—	—	7,302
Cash and cash equivalents	12,110	—	—	—	12,987
	<u>44,407</u>	<u>—</u>	<u>—</u>	<u>14,494</u>	<u>58,901</u>

Liquidity risk

In the management of liquidity risk, the Target Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows.

The table below summarises the maturity profile of the Target Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments.

	Within one year or on demand HK\$'000	In the second year HK\$'000	In the third to fifth years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2023					
Trade payables	238	—	—	—	238
Salary payables	1,453	—	—	—	1,453
Other accrued expenses	631	—	—	—	631
Lease liabilities	4,900	2,243	2,429	3,016	12,588
Interest-bearing bank borrowings	2,327	—	—	—	2,327
	<u>9,549</u>	<u>2,243</u>	<u>2,429</u>	<u>3,016</u>	<u>17,237</u>

	Within one year or on demand <i>HK\$'000</i>	In the second year <i>HK\$'000</i>	In the third to fifth years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2024					
Trade payables	341	–	–	–	341
Salary payables	1,614	–	–	–	1,614
Other accrued expenses	1,071	–	–	–	1,071
Lease liabilities	4,076	1,961	3,653	3,692	13,382
Interest-bearing bank borrowings	1,053	–	–	–	1,053
	<u>8,155</u>	<u>1,961</u>	<u>3,653</u>	<u>3,692</u>	<u>17,461</u>

	Within one year or on demand <i>HK\$'000</i>	In the second year <i>HK\$'000</i>	In the third to fifth years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2025					
Trade payables	1,348	–	–	–	1,348
Salary payables	1,668	–	–	–	1,668
Other accrued expenses	3,285	–	–	–	3,285
Lease liabilities	5,180	4,736	12,372	3,987	26,275
	<u>11,481</u>	<u>4,736</u>	<u>12,372</u>	<u>3,987</u>	<u>32,576</u>

28. Fair value and fair value hierarchy of financial instruments

The carrying amounts and fair values of the Target Group's financial instruments reasonably approximate to fair values.

The directors of the Target Group consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost at the end of reporting period approximate their fair values.

The fair values of other assets are based on quoted market prices.

The following tables illustrate the fair value measurement hierarchy of the Target Group's financial instruments:

	Fair value measurement using			Total <i>HK\$'000</i>
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets (Level 1) <i>HK\$'000</i>	inputs (Level 2) <i>HK\$'000</i>	inputs (Level 3) <i>HK\$'000</i>	
Assets measured at fair value as at 31 December 2025:				
Financial assets at fair value through profit of loss				
– Listed Equity Investments in Hong Kong	835	–	–	835
	<u>835</u>	<u>–</u>	<u>–</u>	<u>835</u>

The Group did not have any financial liabilities measured at fair value as at 31 December 2023, 2024 and 2025.

During the years ended 31 December 2023, 2024 and 2025, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

29. Related party disclosures

(a) Transactions with key management personnel

All members of key management personnel are directors of the Target Group and their remuneration is as disclosed in Note 9.

(b) Outstanding balances with related parties

Balances with related parties are disclosed in the statement of financial position and in Note 17 and 18.

30. Retirement benefit plan

The employees of the Target Group are members of Mandatory Provident Fund Scheme. The Target Group is required to contribute a certain percentage of basic payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Target Group with respect to the retirement benefit scheme is to make the required contributions

under the scheme. During the years ended 31 December 2023, 2024 and 2025, expenses of HK\$426,211, HK\$463,738 and HK\$451,532 million were incurred and recognised in profit or loss.

31. Dividends

No dividend has been declared or paid by the Target Group in respect of the Relevant Periods.

32. Events after reporting period

There was no significant event which happened after the end of the reporting period.

33. Subsequent financial statements

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 31 December 2025.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma condensed consolidated statement of assets and liabilities (“**Unaudited Pro Forma Financial Information**”) of Modern Chinese Medicine Group Co., Ltd. (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) at 31 December 2025 in connection with the acquisition of 30% entire issued share capital of AI Health Global Holdings Limited (the “**Target Company**”, the acquisition of 30% entire issued share capital of the Target Company referred to as the “**Acquisition**”). Details of the Acquisition are set out in the section headed “Letter from the Board” contained in this circular. The Unaudited Pro Forma Financial Information presented below is prepared to illustrate the effect of the Acquisition on assets and liabilities of the Group as if the Acquisition had been completed on 31 December 2025.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company (the “**Directors**”) in accordance with Rule 4.29 of 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.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual assets and liabilities of the Group that would have been attained had the Acquisition been completed on 31 December 2025 nor purport to predict the Group’s future assets and liabilities.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the annual report of the Company for the year ended 31 December 2025 published on 28 April 2026 (“**2025’s Annual Report**”), and other financial information included elsewhere in this circular.

APPENDIX III**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP****B. UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF
ASSETS AND LIABILITIES OF THE ENLARGED GROUP AT 31 DECEMBER
2025**

	Consolidated statement of assets and liabilities of the Group <i>RMB'000</i> <i>Note (1)</i>	Pro Forma adjustments <i>RMB'000</i> <i>Note (2)</i>		Consolidated statement of assets and liabilities of the Enlarged Group <i>RMB'000</i>
			<i>RMB'000</i> <i>Note (3)</i>	
Non-current assets				
Property, plant and equipment	195,330			195,330
Right-of-use assets	1,757			1,757
Prepayment for long-term assets	14,340			14,340
Investment in an associate	–	37,772	941	38,713
Deferred tax assets	881			881
Total non-current assets	<u>212,308</u>	<u>37,772</u>	<u>941</u>	<u>251,021</u>
Current assets				
Inventories	28,952			28,952
Income tax recoverable	1,225			1,225
Trade and other receivables	71,202			71,202
Bank balances and cash	229,712	(37,772)	(941)	190,999
Total current assets	<u>331,091</u>	<u>(37,772)</u>	<u>(941)</u>	<u>292,378</u>
Total assets	<u>543,399</u>	<u>–</u>	<u>–</u>	<u>543,399</u>

APPENDIX III**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	Consolidated statement of assets and liabilities of the Group <i>RMB'000</i> <i>Note (1)</i>	Pro Forma adjustments <i>RMB'000</i> <i>Note (2)</i> <i>RMB'000</i> <i>Note (3)</i>		Consolidated statement of assets and liabilities of the Enlarged Group <i>RMB'000</i>
Current liabilities				
Trade and other payables	38,709			38,709
Lease liabilities	<u>69</u>	<u> </u>	<u> </u>	<u>69</u>
Total current liabilities	<u>38,778</u>	<u> </u>	<u> </u>	<u>38,778</u>
Net current assets	<u>292,313</u>	<u>(37,772)</u>	<u>(941)</u>	<u>253,600</u>
Total assets less current liabilities	<u>504,621</u>	<u> </u>	<u> </u>	<u>504,621</u>
Non-current liabilities				
Deferred tax liabilities	<u>6,634</u>	<u> </u>	<u> </u>	<u>6,634</u>
Total non-current liabilities	<u>6,634</u>	<u> </u>	<u> </u>	<u>6,634</u>
Total liabilities	<u>45,412</u>	<u> </u>	<u> </u>	<u>45,412</u>
Net assets	<u>497,987</u>	<u> </u>	<u> </u>	<u>497,987</u>

Notes:

- (1) The financial information of the Group at 31 December 2025 was extracted from the 2025's Annual Report.
- (2) The Company acquired 30% equity interest in the Target Company at a cash consideration of HK\$41,820,000 (approximately RMB37,772,000). For the purpose of the Unaudited Pro Forma Financial Information and for illustrative purpose only, it is assumed that there will be no tax due on the transaction.

For illustrative purpose, the exchange rate used in calculating the effect of the Acquisition on the unaudited pro forma condensed consolidated statement of the assets and liabilities of the Group is the closing exchange rate at 31 December 2025 of HK\$1 to RMB0.9032 as the Acquisition is deemed to occur on 31 December 2025.

The Directors expect that the Company could not obtain control of AI Health Global Holdings Limited under the Acquisition but could exercise significant influence over the relevant activities of the Target Company and its subsidiaries (the “**Target Group**”). Therefore, the equity interest of the Target Company acquired by the Company will be accounted for using equity method as “investment in an associate” of the Group.

- (3) The transaction cost, comprising the estimated direct expenses of the financial advisor, legal and other professional services directly attributable to the Acquisition of HK\$1,042,000 (approximately RMB941,000), is deemed to be incurred by the Group on 31 December 2025 and capitalised in the investment in an associate of the Group.
- (4) Apart from the above, no other adjustments have been made to reflect any trading results or other transactions of the Group and the Target Group (together the “**Enlarged Group**”) entered into subsequent to 31 December 2025 for the unaudited pro forma condensed consolidated statement of assets and liabilities of the Enlarged Group.

**C. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON
THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL
INFORMATION**

The following is the text of a report received from the reporting accountants, Forvis Mazars CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this circular.

**FORVIS MAZARS CPA LIMITED**

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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Board of Directors of Modern Chinese Medicine Group Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Modern Chinese Medicine Group Co., Ltd. (the **"Company"**) and its subsidiaries (hereinafter collectively referred to as the **"Group"**) by the directors of the Company (the **"Directors"**) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma condensed consolidated statement of assets and liabilities of the Enlarged Group at 31 December 2025 and related notes (the **"Unaudited Pro Forma Financial Information"**) as set out on pages III-1 to III-4 of the circular issued by the Company dated 26 June 2026 (the **"Circular"**). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-4 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the major transaction in relation to acquisition of 30% entire issued Share Capital of AI Health Global Holdings Limited (the **"Target Company"**), the acquisition of 30% entire issued share capital of the Target Company referred to as the **"Acquisition"**), on the Group's financial position at 31 December 2025 as if the Acquisition had taken place at 31 December 2025. As part of this process, information about the Group's consolidated statement of financial position has been extracted by the Directors from the Group's annual report for the year ended 31 December 2025 published on 28 April 2026 (**"2025 Annual Report"**).

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial

Information does not purport to describe the actual assets and liabilities of the Group that would have been attained had the Acquisition been completed on 31 December 2025 nor purport to predict the Group's future assets and liabilities.

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.

We apply Hong Kong Standard on Quality Management 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 us to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's 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 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 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, 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.

The purpose of Unaudited Pro Forma Financial Information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or 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 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information 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 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 reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, 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. 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 has been properly compiled 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 as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Forvis Mazars CPA Limited

Certified Public Accountants

Hong Kong, 26 June 2026



Flagship Appraisals and Consulting Limited
Room 705, 7/F, Tower A,
New Mandarin Plaza,
14 Science Museum Road,
Tsim Sha Tsui East, Kowloon, Hong Kong

LETTER OF OPINION

Ref: F601008

26 June 2026

The Board of Directors
Modern Chinese Medicine Group Co., Ltd
2404, 24th Floor
World-Wide House
19 Des Voeux Road
Central, Hong Kong

Dear Sirs/Madams,

**RE: VALUATION OF 100% EQUITY INTEREST IN AI HEALTH
GLOBAL HOLDINGS LIMITED**

In accordance with the instruction from Modern Chinese Medicine Group Co., Ltd (the “Company”), we have evaluated the market value of 100% equity interest (the “Target Equity Interest”) of AI Health Global Holdings Limited (the “Target Company”) as at 31 December 2025 (the “Valuation Date”).

Our analysis and conclusions are provided solely to the Company’s management for internal reference and are to be used only in their entirety. Our name and any part of this report may be included in the Client’s announcement or circular. The analyses and conclusions contained herein shall not be used for any other purpose, nor relied upon by any other person, without our express written consent.

The information and conclusions contained in this report do not constitute a recommendation, offer, or invitation to engage in any transaction. No party should rely on our analysis and conclusions as a substitute for its own judgement or due diligence.

The following report summarises the conclusion and results based on our conducted analysis.

Based on our analysis, as described in this valuation report, the market value of the Target Equity Interest of the Target Company as at the Valuation Date was **HK\$138,400,000** (HONG KONG DOLLARS ONE HUNDRED THIRTY-EIGHT MILLION AND FOUR HUNDRED THOUSAND ONLY).

The conclusions set out herein are subject to the assumptions, limiting conditions, and the Statement of General Service Conditions described in this report. These conclusions are based on financial information provided by the Target Company, which we have assumed to be complete, accurate, and reliable.

If, after the issuance of this report, we are informed that the financial information provided was incomplete, inaccurate, or has subsequently changed in a manner that affects our analyses, we accept no responsibility for any resulting discrepancies. We are under no obligation to update this report or revise our conclusions of value in such circumstances.

Yours faithfully,

For and on behalf of

FLAGSHIP APPRAISALS AND CONSULTING LIMITED

Ferry S.F. Choy

MSc. Fin, CFA, ICVS

Managing Director

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1. EXECUTIVE SUMMARY

Governing Standard	:	International Valuation Standards
Purpose	:	Internal reference
Basic of Value	:	Market Value
Premise of Valuation	:	Going Concern
Level of Value	:	Non-controlling and non-marketable value
Client Name	:	Modern Chinese Medicine Group Co., Ltd
Valuation Target	:	100% equity interest in AI Health Global Holdings Limited
Type of the Company	:	Private Company
Valuation Date	:	31 December 2025
Report Date	:	26 June 2026
Method of Valuation	:	Market approach – Guideline Public Company Method
Result	:	HK\$138,400,000

2. SCOPE OF SERVICES

Based on our discussions with the Company, we understand that the Company is considering a potential acquisition of an equity interest in the Target Company. Accordingly, we were instructed to perform a valuation of the 100% equity interest in the Target Company on a non-controlling and non-marketable basis to assist the Company in its assessment. The Valuation Date was 31 December 2025.

Our analytical procedures do not constitute an examination or review conducted in accordance with generally accepted accounting principles, nor are they intended to provide any assurance or opinion regarding the fairness or accuracy of the financial statements or other financial information, whether historical or projected.

3. BASES OF VALUATION

The basis of value for this analysis is Market Value. According to the International Valuation Standards, Market Value is defined as, “*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion.*”

4. PREMISE OF VALUE

The premise of value describes the circumstances of how an asset or liability is used. Some common premises of value for business valuation are:

- 1) Going concern: a business is expected to continue operation without intention or threat of liquidation;
- 2) Liquidation: a business is clearly going to cease operation in the near future, and it can be further classified into orderly liquidation or forced liquidation; and
- 3) Assemblage of assets: the business assets have been assembled in place but are not currently used to generate income.

The Target Company, through its subsidiaries, has been operating for many years and generating profits. Accordingly, the appropriate premise for this valuation is Going Concern. Going concern value is defined as “*the value of a business enterprise that is expected to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained workforce, an operational plant, and the necessary licenses, systems, and procedures in place*”.

5. LEVEL OF VALUE

Control and marketability characteristics have significant impacts on the value of an equity interest. The combination of these characteristics is commonly referred to as the “level of value”. Generally, four basic levels of value are recognised:

- 1) controlling and marketable interest value;
- 2) controlling and non-marketable interest value;
- 3) non-controlling and marketable interest value; and
- 4) non-controlling and non-marketable interest value.

A controlling and marketable interest typically represents the shareholding of controlling shareholders in publicly listed companies. A controlling and non-marketable interest generally represents the controlling shareholdings in private companies. In contrast,

a non-controlling and marketable interest is normally held by minority shareholders of publicly listed companies, while an equity interest with neither control nor marketability represents the minority equity positions in private companies.

Based on the Company's instructions, we are required to value the Target Equity Interest from the perspective of a non-controlling shareholder in a private company.

6. SOURCES OF INFORMATION

Sources of data utilised in our analysis include but not limited to the following:

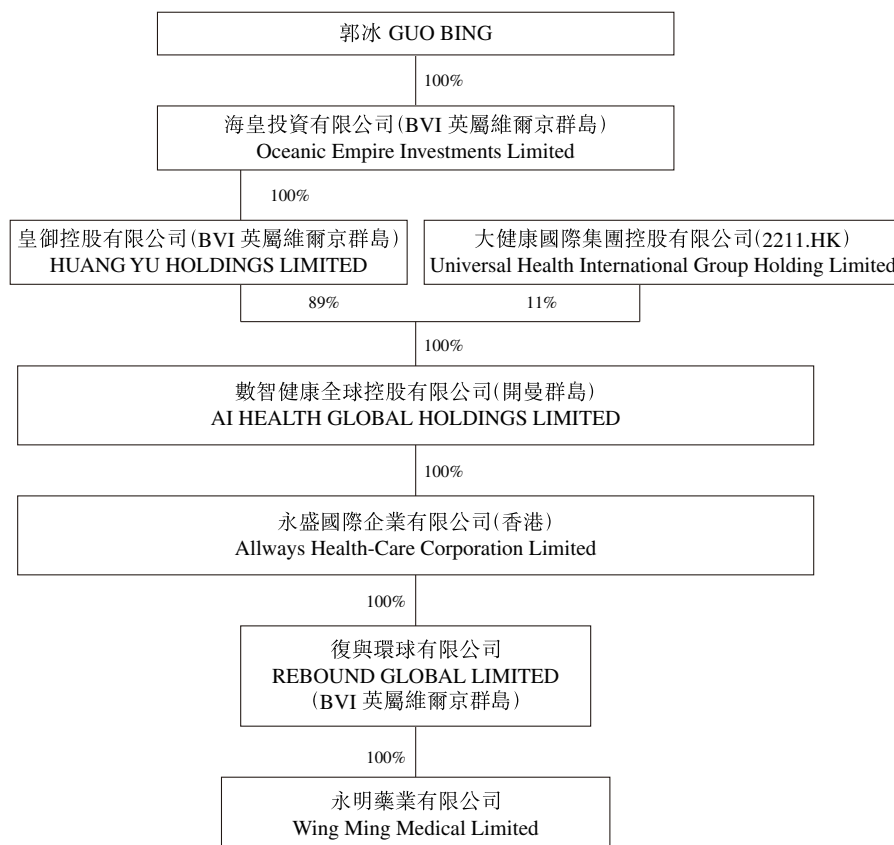
- The audited financial statements of the Target Company for the twelve months ended 31 December 2023, 2024, and 2025; and
- Bloomberg

We have also relied on publicly available capital market information, including industry reports, databases of publicly traded companies, and various news publications. We make no representation and accept no responsibility regarding the accuracy or completeness of any financial information or other data provided to us by third parties.

We have assumed that all financial and other information provided to us is accurate and complete and have relied upon such information in performing our assessment.

7. TARGET COMPANY OVERVIEW

7.1 Equity Shareholding Structure of the Target Company



7.2 AI Health Global Limited (the “Target Company”)

According to the information provided, the Target Company is a company incorporated in the Cayman Islands with limited liability. As of the Valuation Date, 89% was indirectly held by Guo Bing and 11% was held by Universal Health International Group Holding Limited. Its principal business was investment holding.

7.3 Allways Health-Care Corporation Limited (“Allways”)

Allways was incorporated in Hong Kong on 4 April 1995 as a limited company. As at the Valuation Date, Allways was the wholly-owned subsidiary of AI Health Global Holdings Limited.

Its principal activities include selling health supplements and proprietary Chinese medicines under various business names such as “Wing Ming Company”, “America Health Food Pharmacopoeia Co”, “日本強心純漢藥化學公司”, “永明星隆公司”, “永明神盾公司”, and “Allways Health-Care Corporation Limited”.

Allways together with its subsidiaries (collectively, “Allways Health-Care Group”), is a well-known pharmaceutical enterprise in Hong Kong. Allways Health-Care Group operates two manufacturing facilities located in Tsuen Wan and Fanling, holding pharmaceutical manufacturing licences and food production licences, and is a permanent member of the Chinese Manufacturers’ Association of Hong Kong.

Allways Health-Care Group owns 184 Hong Kong proprietary Chinese medicine HKC registrations and 99 registered trademarks. Hong Kong Wing Ming Medical Limited is Allways’ major subsidiary. The flagship products include Strong Seal Pills, Pai Feng Pills, and Strong Statetone.

Currently, Allways Health-Care Group has established different official flagship stores across major e-commerce platforms and is expanding to the international market.

7.4 Financial Performance

As of the Valuation Date, the total assets of Allways Health-Care Group were approximately HK\$95.28 million, and its net assets were approximately HK\$65.29 million.

The gross profit margin increased from 64.67% in 2023 to 70.66% in 2025, while the net profit margin dropped from 20.80% in 2023 to 17.43% in 2025.

The table below summarises the key financial data from 2023 to 2025:

Table 1: Summary of financial information

HK\$ (Million)	31/12/2023	31/12/2024	31/12/2025
Total assets	57.95	69.45	95.28
Total liabilities	20.15	16.61	29.99
Net assets	37.80	52.84	65.29

HK\$ (Million)	Year ended 31 December 2023	Year ended 31 December 2024	Year ended 31 December 2025
Revenue	63.72	66.88	71.47
Gross profit	41.21	48.81	50.50
Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBITDA”)	21.42	24.79	23.06
Earnings Before Interest and Taxes (“EBIT”)	15.73	18.16	16.41
Net profit	13.25	15.04	12.45
Gross profit margin	64.67%	72.98%	70.66%
EBITDA margin	33.61%	37.07%	32.27%
EBIT margin	24.68%	27.16%	22.97%
Net profit margin	20.08%	22.48%	17.43%

8. VALUATION METHODOLOGY

8.1. Introduction of Valuation Methodology

There are three common approaches used to estimate the value of an asset, namely the cost approach, market approach and income approach.

Income Approach: this approach provides an indication of value by converting projected cash flows to a single current value.

Market Approach: this approach provides an indication of value by comparing the asset and/or liability with an identical or comparable (that is similar) asset and/or liability for which price information is available.

Asset Approach: this 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.

8.2. Selection of Methodology

All three approaches have been considered in this valuation, and the approach or approaches deemed relevant will then be selected for use in the valuation analysis.

As a going concern, the value of the Target Company primarily depends on the future economic benefits derived from the business operations of its subsidiaries, i.e. Allways Health-Care Group.

We did not select the Asset Approach because it does not reflect Allways Health-Care Group's future operational potential. Additionally, the intangible assets generated during the operations are not captured in its financial statements.

While both the income approach and the market approach can reflect the future operational value, the income approach relies heavily on the reliability of future earnings projections, whereas the market approach depends more on the comparability of similar assets.

For stable companies, the valuation based on the income approach is overwhelmingly driven by the terminal value rather than short-term cash flows. This makes the final valuation highly sensitive to minor changes in the discount rate or perpetual growth rate, reducing reliability.

By contrast, suitable comparable companies can be identified among listed enterprises in Hong Kong and the Mainland China. Given the Target Company's stability and predictable performance, it is easier and more reliable to value the Target Company using market multiples of similar publicly traded companies, rather than relying on subjective assumptions of future income.

Accordingly, we adopted the Guideline Public Company Method under the Market Approach for this valuation.

9. GENERAL ASSUMPTIONS

A number of general assumptions have to be established to sufficiently support our value conclusion. The general valuation assumptions adopted in this valuation are:

- There will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in Hong Kong and Mainland China;
- There will be no significant deviation in the industry trend and market condition from the current market expectation;
- There will be no major change in the current taxation law in Hong Kong and Mainland China and the countries of origin of our comparable companies; and
- All relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing, and no additional costs or fees are needed to procure such during the application.

10. GUIDELINE PUBLIC COMPANY METHOD

The Guideline Public Company Method assumes that the share prices of comparable listed companies in the same or a similar industry provide objective evidence for the values at which investors are willing to buy or sell the interests of other companies in that industry.

The application of the Guideline Public Company Method involves the following procedures:

- 1) Select comparable listed companies engaged in the same or similar industry that can provide a meaningful comparison;
- 2) Determine pricing multiples which are suitable for or commonly used in evaluating companies in that industry;
- 3) Calculate the pricing multiples and apply them to the subject company;
- 4) Apply necessary adjustments to the adopted financial figures and/or the pricing multiples;
- 5) Apply necessary valuation adjustments; and
- 6) Apply weights to the results estimated based on different pricing multiples.

10.1 Selection of comparable listed companies

We estimated the value of the Target Company by analysing the pricing multiples of comparable companies. This approach requires the stock prices of companies engaged in the same or similar business. We identified comparable companies with a similar business nature and operational locations to Allways Health-Care Group, which is the operating arm of the Target Company, using Bloomberg and other sources.

Allways Health-Care Group is a pharmaceutical manufacturer specialising in Chinese medicine healthcare products, healthcare and dietary supplements in Hong Kong and Mainland China. After careful analysis, the selection criteria for comparable companies are as follows:

- Companies listed on stock exchanges in Hong Kong;
- Companies primarily engaged in manufacturing Chinese medicine products, contributing equal to or not less than 70% to their total revenue; and
- Companies whose primary market is in Hong Kong and Mainland China.

The table below summarises all comparable companies identified during our research, together with their business descriptions and the proportion of revenue derived from the manufacturing of Chinese medicine products. Detailed financial information relating to the comparable companies is set out in Exhibit D.

Table 2: List of the Comparable Companies

	Company Name	Description	Primary Market	Revenue from the Manufacturing of Chinese Medicine Products
1	Modern Chinese Medicine Group Co., Ltd. (Stock code: 1643)	Modern Chinese Medicine Group Co., Ltd. operates in the modern Chinese medicine industry. The company manufactures and sells circulation enhancement pill, vigour and vitality supplement pill, cardiogenic enhancement capsule, heart wellness capsule, and other products.	Mainland China	100%
2	China Traditional Chinese Medicine Holdings Co. Limited (Stock code: 570)	China Traditional Chinese Medicine Holdings Co. Limited, through its subsidiaries, manufactures and sells medicine and pharmaceutical products.	Hong Kong and Mainland China	98%

	Company Name	Description	Primary Market	Revenue from the Manufacturing of Chinese Medicine Products
3	JBM (Healthcare) Limited (Stock code: 2161)	JBM (Healthcare) Limited produces and sells healthcare products. The company manufactures and sells branded health care products, proprietary Chinese medicines, and other products.	Hong Kong and Mainland China	88%
4	Zhongzhi Pharmaceutical Holdings Limited (Stock code: 3737)	Zhongzhi Pharmaceutical Holdings Ltd is a pharmaceutical company that develops various drugs. The company focuses on developing new Chinese medicine and herbal medicines.	Mainland China	70%
5	Wai Yuen Tong Medicine Holdings Limited (Stock code: 897)	Wai Yuen Tong Medicine Holdings Limited, through its subsidiaries, manufactures and sells Chinese and Western pharmaceutical products.	Hong Kong and Mainland China	87%
6	Tong Ren Tang Technologies Co. Ltd. (Stock code: 1666)	Tong Ren Tang Technologies Co. Ltd. manufactures medical products. The company produces Chinese patent medicines, biological preparations, antibiotics, biochemical medicines, and other products.	Mainland China	99%
7	Purapharm Corporation Limited (Stock code: 1498)	Purapharm Corporation Limited is a pharmaceutical company that develops medicines. The company researches and develops traditional Chinese medicine.	Hong Kong and Mainland China	85%
8	Consun Pharmaceutical Group Limited (Stock code: 1681)	Consun Pharmaceutical Group Limited is a pharmaceutical company engaged in the research, manufacturing and sale of modern Chinese medicines and medical contrast medium.	Mainland China	100%
9	China Shineway Pharmaceutical Group Limited (Stock code: 2877)	China Shineway Pharmaceutical Group Limited develops, manufactures, and sells modern Chinese medicines.	Hong Kong and Mainland China	100%

Source: Bloomberg and Flagship

10.2 Determination of Pricing Multiples

Various pricing multiples are employed in valuation, with the most commonly used including the Price-to-Earnings Ratio (“P/E”), Enterprise Value to Earnings Before Interest and Taxes Ratio (“EV/EBIT”), Price-to-Sales Ratio (“P/Sales”), and Price-to-Book Ratio (“P/B”). For a profitable company, P/E and EV/EBIT are typically used, while P/Sales and P/B are considered based on industry characteristics or when the valuation target is not making profits.

Since Allways Health-Care Group is a profitable pharmaceutical manufacturer, its earnings directly influence the value of its equity interest. Therefore, we considered applying EV/EBIT and P/E to assess the market value of the equity interest. Negative multiples were excluded from the analysis as they are deemed non-meaningful. Furthermore, the modified z-score method was applied to identify outliers; comparable companies with a modified z-score exceeding 3 were classified as outliers and subsequently removed. The median of the EV/EBIT and P/E multiples is used to measure the central tendency of the peer group without being distorted by the natural skewness of the remaining data points. The table below presents the EV/EBIT and P/E multiples as of the Valuation Date.

Table 3: Pricing Multiples of the Comparable Companies as at the Valuation Date

Company Name	Financial data reference date	Enterprise Value (HK\$M)	EBIT (HK\$M)	Market Cap (HK\$M)	Net Profit (HK\$M)	EV/EBIT	P/E
Modern Chinese Medicine Group Co., Ltd.	31/12/2025	111.44	(13.73)	367.20	(14.55)	Negative	Negative
China Traditional Chinese Medicine Holdings Co. Limited	31/12/2025	11,760.92	476.26	10,524.83	365.30	24.69	28.81**
JBM (Healthcare) Limited	30/9/2025	2,427.40	269.72	2,186.52	216.50	9.00	10.10
Zhongzhi Pharmaceutical Holdings Limited	31/12/2025	439.79	24.17	483.62	19.50	18.19	24.80
Wai Yuen Tong Medicine Holdings Limited	30/9/2025	603.11	7.78	438.79	(22.32)	77.49**	Negative
Tong Ren Tang Technologies Co. Ltd.	31/12/2025	5,980.57	931.04	5,648.26	475.45	6.42	11.88
Purapharm Corporation Limited	31/12/2025	537.17	8.92	190.24	(17.46)	60.25**	Negative
Consun Pharmaceutical Group Limited	31/12/2025	11,344.87	1,249.16	13,269.11	1,170.70	9.08	11.33
China Shineway Pharmaceutical Group Limited	31/12/2025	(521.40)	842.60	7,112.20	1,063.95	Negative	6.68
				Median	9.08	11.33	

Source: Bloomberg

** Considered as an outlier

10.3 Valuation Adjustment

Discount for Lack of Marketability (DLOM)

Marketability refers to the speed, cost, and ease with which an asset can be converted into cash. For a privately held, non-listed company, the lack of marketability means that shareholders do not have a ready market for trading their shares. In theory, the value of a share in a non-listed company is lower than that of a comparable share in a publicly traded company.

In this analysis, we considered a 19% discount for lack of marketability to be appropriate based on the Finnerty Average Strike Put Option model, a robust approach that captures the economic reality of restricted stock by modelling the cost of the inability to sell during the illiquid period.

Several key parameters are assumed in the model. A dividend yield of 0% is applied. The restriction period is assumed to be 5 years, and an annual volatility of 40.84% is used with reference to the historical stock price volatility of Comparable Companies. The table below summarises the volatility of the Comparable Companies:

Table 4: Historical Volatility of the Stock Price of the Comparable Companies

Company name	Historical Volatility
Modern Chinese Medicine Group Co., Ltd.	52.46%
China Traditional Chinese Medicine Holdings Co. Limited	46.23%
JBM (Healthcare) Limited	56.92%
Zhongzhi Pharmaceutical Holdings Limited	40.84%
Wai Yuen Tong Medicine Holdings Limited	62.89%
Tong Ren Tang Technologies Co. Ltd.	36.43%
Purapharm Corporation Limited	38.33%
Consun Pharmaceutical Group Limited	32.30%
China Shineway Pharmaceutical Group Limited	37.39%
Median	40.84%

10.4 Calculation Result

After calculating and adjusting the aforementioned parameters, the results are summarised in the table below. Detailed calculations of the market value of the Equity Interest are disclosed in Exhibit E on page IV-27.

Pricing Multiples	Result (HK\$M)
EV/EBIT	137.58
P/E	139.30
Average	138.44

The valuation indications derived from the EV/EBIT Method and the P/E Method are broadly consistent, with a variance of less than 2% between the two results. As both methods are considered equally relevant and reliable in valuing the Target Company, we have applied equal weighting to the respective valuation indications and adopted the average value of HK\$138.44 million as the concluded value with an implied effective P/E ratio of approximately 11.11x.

11. LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Target Company.

The opinion expressed in this report has been based on the information supplied to us by the Target Company and their staff, as well as from various institutes and government bureaux without verification. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the valuation are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decisions or actions resulting from them.

This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

12. CONCLUSION

In conclusion, the market value of the Target Equity Interest of the Target Company as at the Valuation Date was **HK\$138,400,000** (HONG KONG DOLLARS ONE HUNDRED THIRTY-EIGHT MILLION AND FOUR HUNDRED THOUSAND ONLY).

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under this valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

EXHIBIT A – STATEMENT OF GENERAL SERVICES CONDITIONS

The service(s) provided by Flagship Appraisals and Consulting Limited will be performed in accordance with professional valuation standards. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after the completion of the engagement.

Our report is to be used only for the specific purpose stated herein, and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. None should rely on our report as a substitute for their own due diligence or judgment. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Flagship Appraisals and Consulting Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of the legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative processes or proceedings. These conditions can only be modified by written documents executed by both parties.

EXHIBIT B – INVOLVED STAFF BIOGRAPHIES

Ferry S.F. Choy, MSc. Fin, CFA, ICVS

Managing Director

Mr. Choy is the Managing Director of Flagship Appraisals and Consulting Limited. He has worked in the accounting and valuation profession for more than 15 years. Mr. Choy has served many listed companies in Hong Kong, China, Malaysia and Singapore. Mr. Choy's experience included management advice, project evaluation, public listings, M& A and valuation of different assets.

Mr. Choy is a Charterholder of Chartered Financial Analyst (CFA) and an International Certified Valuation Specialist (ICVS) – a professional credential in business valuation issued by the International Association of Certified Valuation Specialists (IACVS). He served on the Continuous Education Committee of the IACVS Hong Kong Chapter, providing business valuation training courses to members. He also conducts seminars in different professional bodies, including HKICPA and CPA Australia.

Mr. Choy has acted as a valuation specialist in listed companies' transactions. He has also provided support in different Family law assignments involving business valuations, asset tracking and recovery, expenditure analysis and Duxbury calculations and advising on business, partnership and shareholder disputes.

John T.H. Poon, MSc. Econ, CFA

Manager

Mr. Poon holds a Master of Science degree in Economics from the Chinese University of Hong Kong. He currently holds the position of Manager of Flagship Appraisals and Consulting Limited and assists in various valuation assessments for transaction and financial reporting purposes. He was involved in engagements in relation to various industries, including communication, mining, property management, construction, manufacturing and finance.

EXHIBIT C – INDUSTRY OVERVIEW

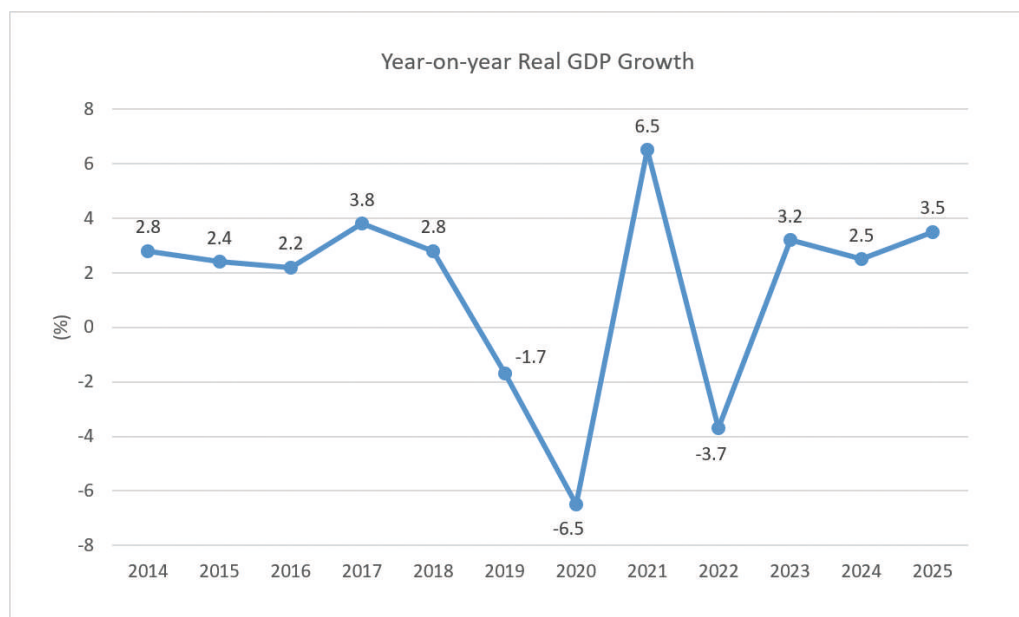
The information discussed or quoted in this section is based on our research from public sources, including publicly published articles, research papers, and databases. While we have tried to verify the information on a best-effort basis, the accuracy and completeness of the information are not guaranteed.

MACROECONOMIC ENVIRONMENT**General economic overview**

Hong Kong maintained a solid expansion throughout the full year of 2025, with economic activity gaining significant momentum in the second half of the year. The initial headwinds surrounding global trade policy and high interest rates were heavily mitigated by a crucial shift in monetary conditions, as the US Federal Reserve enacted three consecutive interest rate cuts in the second half of 2025.

For the full year of 2025, Hong Kong's economy recorded a robust expansion, with real GDP growing by 3.5% year-on-year. This marks a notable acceleration from the 2.5% growth recorded in 2024 and completely surpassed the Government's initial full-year forecast of 2.0%–3.0%. The full-year acceleration was anchored by an exceptional performance in the final quarter, where real GDP grew by 3.8% year-on-year in Q4 2025, indicating that sequential expansion and policy easing effects intensified significantly into the year-end.

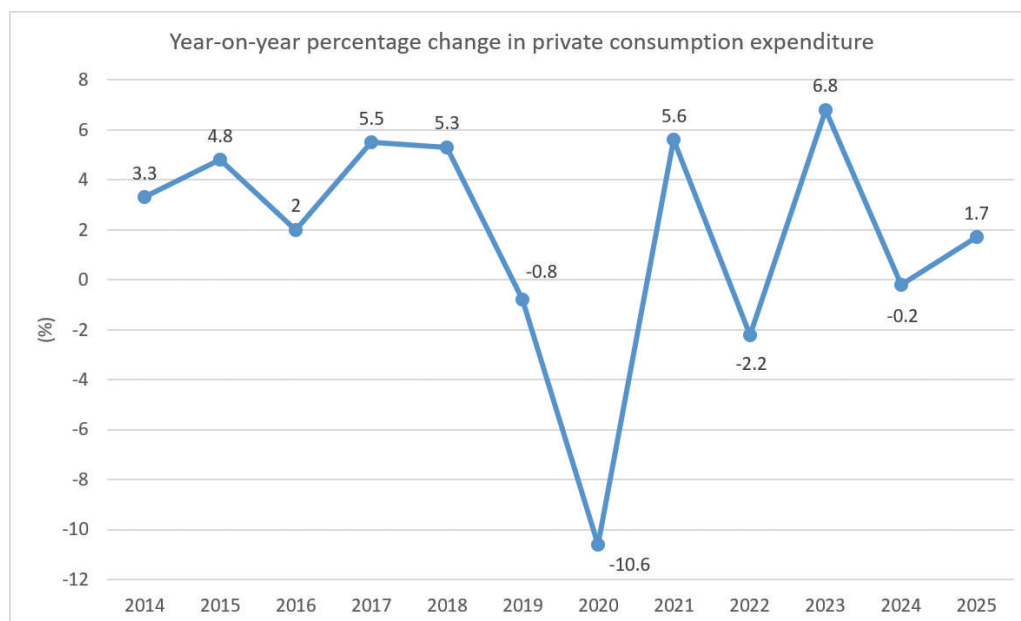
Figure C1: Real GDP growth rate of Hong Kong by percentage, 2014 – 2025



Source: Hong Kong Census and Statistics Department

Domestic demand in Hong Kong staged a progressively stronger recovery over the course of 2025, overcoming an early soft patch to record a resilient full-year expansion. Private consumption expenditure transitioned from a year-on-year contraction of 0.9% in the first quarter to stable growth in the subsequent periods, culminating in an increase of 2.7% in Q4 and an overall 1.7% expansion for the full year of 2025.

Figure C2: Private consumption expenditure of Hong Kong by percentage, 2014 – 2025



Source: Hong Kong Census and Statistics Department

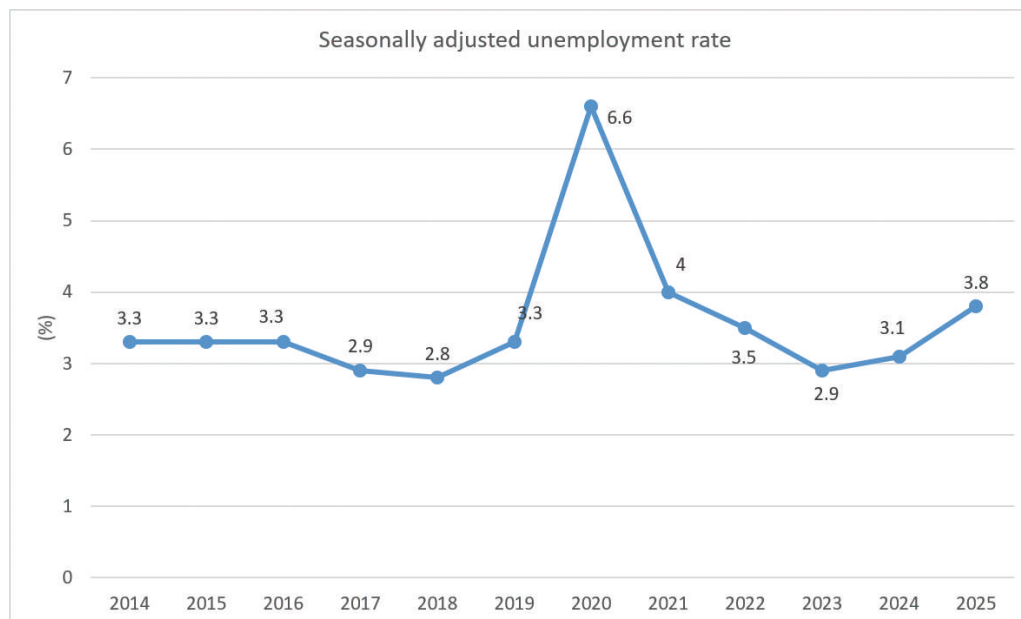
External trade remained a primary engine of economic expansion throughout the full year of 2025. In national accounts terms, total exports of goods increased by 8.4% year-on-year in Q1 and 11.5% in Q2, before maintaining strong momentum with growth rates of 12.0% in Q3 and 15.4% in Q4 – culminating in a 15.4% expansion in nominal terms for the full year of 2025. This sustained performance reflected highly resilient external demand across core Asian trade corridors and a powerful late-year surge in electronic-related and AI hardware components. Simultaneously, exports of services expanded notably by 6.3% in real terms for the full year, driven by robust cross-boundary traffic, high-value inbound tourism, and vibrant financial market turnover.

Figure C3: Total export value of Hong Kong by percentage, 2014 – 2025



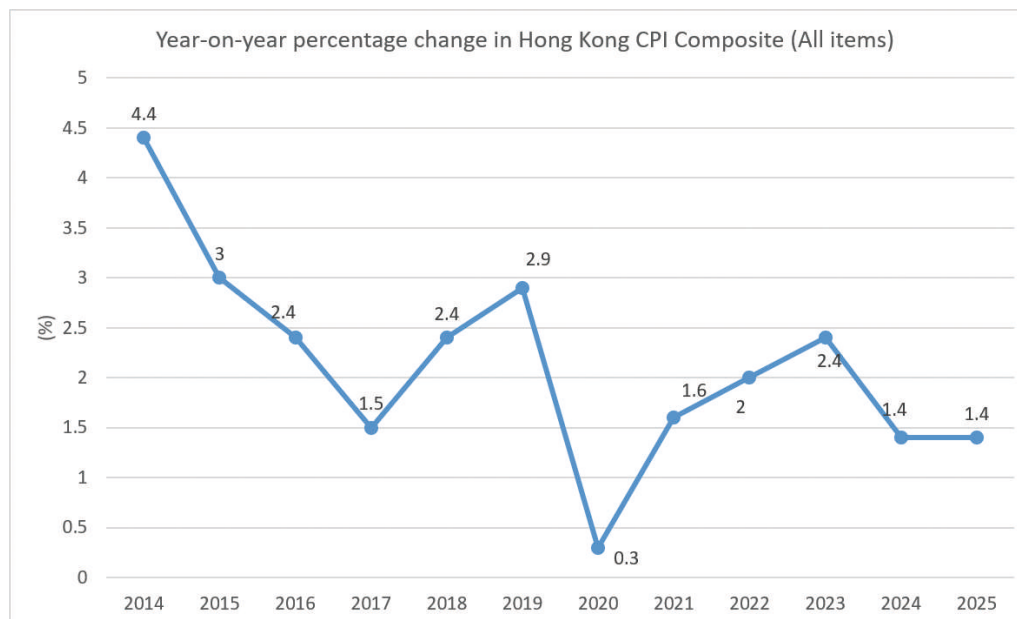
Source: Hong Kong Census and Statistics Department

Labour market conditions in Hong Kong showed a shifting trajectory over the course of 2025, softening through the summer months before stabilizing toward the end of the year. According to data from the Census and Statistics Department, the seasonally adjusted unemployment rate rose from 3.2% in Q1 to 3.5% in Q2, peaked at 3.9% in Q3, and eased slightly to finish the year at 3.8% in Q4 2025. Concurrently, the underemployment rate experienced a gradual upward trend throughout the year, climbing from 1.1% in the first quarter to 1.4% in Q2, 1.6% in Q3, and settling at 1.7% in Q4 2025.

Figure C4: Unemployment rate, 2014 – 2025

Source: Hong Kong Census and Statistics Department

Inflation remained modest across the full year of 2025, with underlying pressures well-contained. The Composite CPI showed overall consumer prices rose 1.4% year-on-year in December 2025, while underlying inflation (netting out the effects of all Government's one-off relief measures) was 1.2% year-on-year in the same month. For 2025 as a whole, the Composite CPI increased by 1.4% year-on-year, while the underlying annual inflation rate stood at a mild 1.1%, as the Government's year-end assessment similarly characterized overall consumer price inflation as stable and firmly under control.

Figure C5: Hong Kong CPI Composite, 2014 – 2025

Source: Hong Kong Census and Statistics Department

Overall outlook

Overall, Hong Kong's economy demonstrated robust growth momentum across the full year of 2025, transitioning into a balanced, dual-engine expansion as domestic demand increasingly reinforced a strong external sector. Real GDP expanded by 3.5% for the full year – accelerating to a notable 3.8% year-on-year growth in the fourth quarter – as the nominal value of total merchandise exports surged significantly on the back of resilient regional technology supply chains and advanced component demand. Private consumption firmly established a positive trajectory in the second half of the year, supported by favorable wealth effects from a liquid capital market and an easing interest rate environment, alongside a sharp late-year acceleration in corporate fixed investment outlays. Inflation remained thoroughly modest, keeping underlying price pressures contained and preserving real household purchasing power. The labour market found a steady late-year equilibrium, with unemployment stabilizing while continuous gains in nominal earnings anchored consumer sentiment. Looking ahead, the macroeconomic trajectory remains constructive yet cautious: full-year performance completely outpaced the Government's initial 2%–3% growth target, though persistent global trade fragmentation and shifting international tariff regimes continue to cloud the medium-term outlook.

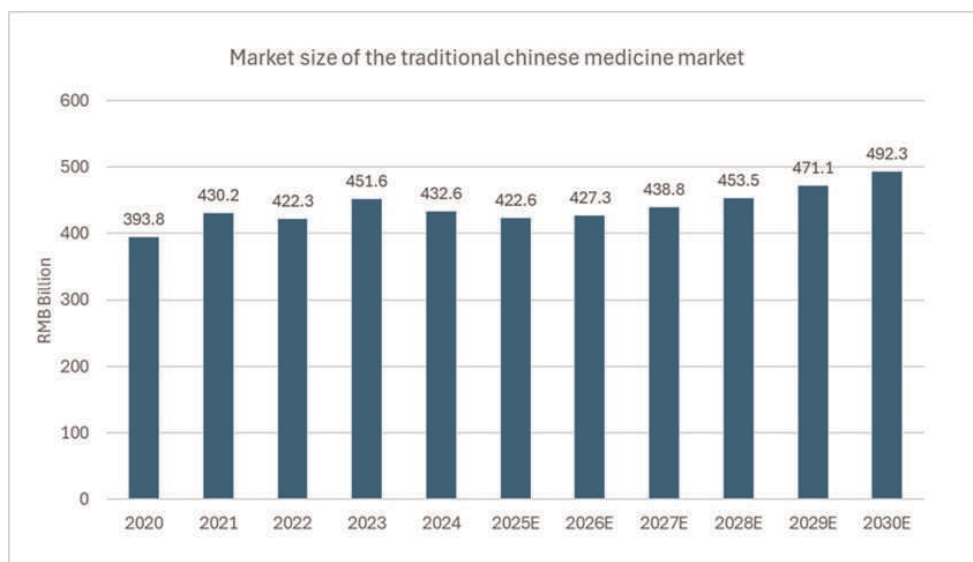
Traditional Chinese Medicine Market

Traditional Chinese Medicine (TCM) is a holistic healthcare system developed over thousands of years, centred on restoring balance and addressing root causes of illness. From a market perspective, TCM covers both services (e.g., diagnosis and treatment delivered through hospitals and clinics) and products, including traditional Chinese patent medicines,

decoction-ready products (processed herbal slices), herbal formula granules, herbal injections, and wellness supplements. This ecosystem has continued to modernise through stronger standardisation and quality control, supporting broader adoption and accessibility.

TCM remains an important component of China's healthcare system, TCM accounted for 26.5% of China's total healthcare market in 2024, while TCM diagnostic and treatment sessions reached RMB1,540.0 million in 2023, supported by approximately 92,500 TCM medical facilities. In terms of products, China's TCM product market grew from RMB393.8 billion in 2020 to RMB432.6 billion in 2024, representing a CAGR of 2.4% over 2020-2024. Looking ahead, it is projected to expand to RMB492.3 billion by 2030, implying a CAGR of 3.1% over 2025 – 2030, reflecting expectations of steadier demand and continued policy/industry support.

Figure C6: Traditional Chinese medicine market size, 2020 – 2030E



Source: Frost & Sullivan

Proprietary Chinese Medicine in China and Hong Kong

Proprietary Chinese Medicine (pCm), often referred to as Chinese patent medicine, generally describes ready-made, branded Chinese medicine products that are manufactured in standardised forms (e.g., pills, capsules, tablets, syrups, ointments) for convenient consumer use, rather than being individually prescribed and prepared as raw-herb decoctions. In practice, pCm sits within the broader TCM products universe and is typically positioned as a regulated, quality-controlled category with consistent formulation and dosage, enabling wider retail distribution and cross-border trade compared with practitioner-dispensed herbal preparations.

Mainland China is described as the world's largest market for pCm. In 2023, pCm sales reached RMB454.4 billion, accounting for 15.5% of total pharmaceutical market sales, with 11.1% year-on-year growth; the market recorded an 8.4% CAGR from 2014 to 2023.

Demand is concentrated in major provincial hubs: Beijing ranked first in 2023 with RMB48.7 billion (about 10.7% of national sales), while Guangdong recorded RMB39.0 billion (about 8.6%).

Hong Kong's pCm sector is largely consumer-oriented, with established brands and an "East-meets-West" positioning that combines traditional medicine heritage with modern regulatory practices. A notable structural advantage is Hong Kong's unified registration framework: by late June 2025, authorities completed formal registration for transitional pCm, with 8,200+ products across 345 companies registered, strengthening quality oversight and market confidence. In trade terms, Hong Kong exported HK\$2.88 billion of pCm in 2024 (with 93% locally manufactured), mainly to Mainland China (~71%), Macau (~20%), and ASEAN (~6%). Market access has also improved: the Mainland simplified registration approvals for certain Hong Kong/Macau topical pCm from 2021, and further streamlined approvals in January 2025 for traditional oral pCm that have been used in Hong Kong for 15 + years and produced under GMP-compliant processes supporting expansion into the Greater Bay Area and beyond.

Health supplements market in China and Hong Kong

China's health supplements (health food) market refers to "blue-hat" regulated products positioned between conventional foods and medicines, designed to supplement nutrients (e.g., vitamins/minerals) or support specific body functions. The market spans a full value chain, from raw materials such as botanical extracts, traditional herbs, probiotics and nutrient ingredients, through manufacturing, and then distribution via e-commerce, pharmacies/hospitals, supermarkets and specialty/direct-sales channels. In terms of market size and growth, the market reached RMB230.82 billion in 2024, up 6.9% year-on-year, and is forecast to reach RMB244.67 billion in 2025, according to the forecasts by analysts at the China Commerce Industry Research Institute.

Hong Kong's health supplement market generally refers to oral products with recommended dosage and health function claims, available in forms such as pills, capsules, tablets, granules, powders, liquids, or semi-solids, while excluding conventional foods, Western medicines, and proprietary Chinese medicines. These products typically contain nutrients and/or other functional ingredients to supplement dietary gaps or support body functions, and are not positioned as treatments for disease.

In terms of market size, Hong Kong's health supplement retail sales increased from about HK\$9.0 billion in 2019 to about HK\$10.0 billion in 2023 (a 2.7% CAGR), and are projected to reach about HK\$12.7 billion by 2028 (a 4.9% CAGR from 2023), according to Frost & Sullivan. Online sales have expanded faster: the online segment grew from about HK\$1.0 billion in 2019 to about HK\$1.4 billion in 2023 (a 9.0% CAGR) and is expected to reach about HK\$2.0 billion by 2028 (a 7.9% CAGR from 2023). Online penetration rose from 11.0% (2019) to 14.0% (2023) and is forecast to reach 16.1% by 2028. Key growth drivers highlighted include rising health awareness, population ageing, and the recovery of tourism supporting visitor demand, alongside continued shifts toward diversified and more personalised product offerings and deeper e-commerce adoption.

EXHIBIT D – COMPARABLE COMPANIES

Company Name	Primary Market	Revenue Contribution by Primary Market	Enterprise Value (HK\$M)	EBIT (HK\$M)	Market Cap (HK\$M)	Net Profit (HK\$M)	Revenue (HK\$M)	Gross profit margin	Net profit margin
Modern Chinese Medicine Group Co., Ltd. (Stock code: 1643)	Mainland China	100%	111.44	(13.73)	367.20	(14.55)	158	16.23%	- 9.23%
China Traditional Chinese Medicine Holdings Co. Limited (Stock code: 570)	Hong Kong and Mainland China	99%	11,760.92	476.26	10,524.83	365.30	6,002	48.09%	2.28%
IBM (Healthcare) Limited (Stock code: 2161)	Hong Kong and Mainland China	95%	2,427.40	269.72	2,186.52	216.50	813	56.76%	26.63%
Zhongzhi Pharmaceutical Holdings Limited (Stock code: 3737)	Mainland China	>90%	439.79	24.17	483.62	19.50	1,886	54.44%	1.03%
Wai Yuen Tong Medicine Holdings Limited (Stock code: 897)	Hong Kong and Mainland China	99%	603.11	7.78	438.79	(22.32)	721	49.87%	- 3.09%
Tong Ren Tang Technologies Co. Ltd. (Stock code: 1666)	Mainland China	81%	5,980.57	931.04	5,648.26	475.45	7,037	38.03%	6.76%
Purapharm Corporation Limited (Stock code: 1498)	Hong Kong and Mainland China	88%	537.17	8.92	190.24	(17.46)	336	53.60%	- 5.19%
Consun Pharmaceutical Group Limited (Stock code: 1681)	Mainland China	99%	11,344.87	1,249.16	13,269.11	1,170.70	3,709	78.05%	31.57%
China Shineway Pharmaceutical Group Limited (Stock code: 2877)	Hong Kong and Mainland China	100%	(521.40)	842.60	7,112.20	1,063.95	3,403	72.28%	31.27%

EXHIBIT E – DETAILED CALCULATION

The table below shows the detailed calculation of the market value of the Equity Interest of the Target Company.

In HK\$	EV/EBIT	P/E
Trailing 12-month financials	16,414,355	12,454,375
Applied pricing multiple	<u>9.08</u>	<u>11.33</u>
	149,074,860	141,161,592
Add: Cash and cash equivalents	12,109,996	
Minus: Debt	<u>(22,146,040)</u>	<u></u>
Pre-adjusted 100% equity interest in the Target Company	139,038,816	141,161,592
Add: Surplus assets	<u>30,814,017</u>	<u>30,814,017</u>
Subtotal	169,852,833	171,975,609
Discount for lack of marketability (derived from the Finnerty Average Strike Put Option model, assuming a volatility of 40.84%)	<u>(32,272,038)</u>	<u>(32,675,366)</u>
Adjusted 100% equity interest in the Target Company	137,580,795	139,300,244
Adopted 100% equity interest in the Target Company	138,440,519	
Market value of the Target Equity Interest	<u>138,400,000</u>	<u></u>

Note: Numbers may not sum to total due to rounding

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. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or, the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Name	Capacity/Nature of interest	Number of Shares interested in	Percentage of interest in the Company ^(note 2)
Ms. Sun	Interest in a controlled corporation	402,000,000 (long position) (note 1)	55.83%

Notes:

(1) *These Shares are held by Modern Biotechnology. The entire issued share capital of Modern Biotechnology is owned by Ms. Sun, the Chairlady and an executive Director, it is therefore deemed to be interested in all the Shares held by Modern Biotechnology under the SFO.*

(2) *As at the Latest Practicable Date, there were 720,000,000 Shares in issue.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

Save as disclosed above, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and 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 as at the Latest Practicable Date.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Name	Capacity/ Nature of interest	Number of Shares interested in	Percentage of interest in the Company ^(note 1)
Modern Biotechnology	Beneficial owner	402,000,000 (long position)	55.83%
Universal Health (Global) Investment Fund Management Limited ^(note 2)	Beneficial owner	120,000,000 (long position)	16.67%
Chen Xiaoyan	Interest in a controlled corporation	120,000,000 (long position)	16.67%

Notes:

(1) As at the Latest Practicable Date, there were 720,000,000 Shares in issue.

(2) As at the date of this circular, Universal Health (Global) Investment Fund Management Limited is wholly-owned by Ms. Chen Xiaoyan, who is deemed to be interested in all the Shares held by Universal Health (Global) Investment Fund Management Limited under the SFO.

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions 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 was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Ms. Sun is currently a director of Modern Biotechnology. As at the Latest Practicable Date, save as disclosed above, so far as is known to the Directors, none of the Directors held offices in the substantial Shareholder.

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

5. MATERIAL ADVERSE CHANGE

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

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

7. MATERIAL CONTRACTS

Save as disclosed below, no member of the Group has entered into any contracts, not being contracts entered into in the ordinary course of business, within the two years immediately preceding the date of this circular, and are or may be material:

- (a) The SPA; and
- (b) The subscription agreement entered into between the Company as issuer and Universal Health (Global) Investment Fund Management Limited as subscriber dated 8 April 2025, pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 120,000,000 subscription Shares, representing approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription Shares under general mandate at the subscription price of HK\$0.27 per subscription Share.

8. EXPERTS AND CONSENT

The following experts have been named in this circular or has given opinion or advice which are contained in this circular:

Name	Qualification
Proficient Merit CPA Limited	Certified Public Accountants
Flagship Appraisal Consulting Limited	Independent Professional Valuer

As at the Latest Practicable Date, each of the above experts:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or report (as the case may be) and references to its names, in the form and context in which they respectively appear;

- (b) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares, convertible securities, warrants, options or derivatives, which carry voting rights in any member of the Group; or
- (c) did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 December 2025), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or any of their respective associates have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

10. DIRECTORS' INTERESTS

As at the Latest Practicable Date, there had been no transactions, arrangements and contracts of significance since 31 December 2025 (being the date to which the latest published audited financial statements of the Group were made up) in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company or his or her connected entities had a material interest, whether directly or indirectly.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had since 31 December 2025 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

11. DOCUMENTS ON DISPLAY

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 (<https://www.cdysjdyy.com>) for the period of 14 days from the date of this circular:

- (a) The SPA;
- (b) The accountant's report on the financial information of the Target Group, the text of which is set out in Appendix II of this circular;
- (c) The unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III of this circular;
- (d) The Valuation Report, the text of which are set out in Appendix IV of this circular; and

- (e) The letters of consent from the experts referred to in paragraph 8 in this appendix.

12. MISCELLANEOUS

- (a) The registered office of the Company is situate at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.
- (b) The corporate headquarters in the PRC is situate at No. 88 Jinwei Road, Chengde City, Hebei Province, the PRC.
- (c) The principal place of business in Hong Kong is situate at Room 2404, 24th Floor, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong.
- (d) The principal share registrar and transfer office of the Company is Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.
- (e) The share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (f) The joint secretary of the Company are Ms. Tse Yuen Ting, who is a practising solicitor of Hong Kong and Ms. Jia Yanru, who is an executive Director. Ms. Jia graduated from the Northeast Normal University (東北師範大學), the Mainland China with a Higher Education Graduation Certificate (major in accounting) (高等教育畢業證書 (會計專業)).
- (g) In the event of any inconsistency, the English texts of this circular shall prevail over their respective Chinese texts.

13. CONTRACTUAL ARRANGEMENTS

Shijiazhuang Medical Research entered into series of contractual arrangements (the “**Contractual Arrangements**”) with Chengde Yushi and Mr. Xie Wei (“**Mr. Xie**”), details of which are as follows:

- (a) Exclusive Option Agreement

Pursuant to the Exclusive Option Agreement, Shijiazhuang Medical Research (or the Company or any subsidiary of the Company, the “**designee**”) was granted an irrevocable and exclusive right to purchase from Mr. Xie and/or Chengde Yushi all or any part of their equity interest in and/or assets of Chengde Yushi for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. Subject to relevant PRC laws and regulations, Mr. Xie and/or Chengde Yushi shall return any amount of purchase price they have received to Shijiazhuang Medical Research.

At Shijiazhuang Medical Research's request, Mr. Xie and/or Chengde Yushi will promptly and unconditionally transfer their respective equity interests in and/or asset of Chengde Yushi to Shijiazhuang Medical Research (or its designee) after Shijiazhuang Medical Research exercises its purchase right. The Exclusive Option Agreement is valid for an initial term of ten years and Shijiazhuang Medical Research has the right to renew the term of the Exclusive Option Agreement. Upon expiration of the initial term, the Exclusive Option Agreement will be automatically extended for an indefinite term until Shijiazhuang Medical Research serves a written notice to confirm the term of renewal. Shijiazhuang Medical Research intends to renew the Exclusive Option Agreement upon the expiry of its initial term unless (i) all equity interest in and/or assets of Chengde Yushi are transferred to Shijiazhuang Medical Research or its designee and (ii) Shijiazhuang Medical Research and its subsidiaries are allowed to carry out the processing techniques of Chengde Yushi for traditional Chinese medicine decoction pieces such as steaming, frying, simmering and calcining (the "**Relevant Businesses**") in the production of PCM under the applicable PRC laws and regulations.

In order to prevent the flow of the assets and value of Chengde Yushi to Mr. Xie, during the term of the Exclusive Option Agreement, any assets of Chengde Yushi is not allowed to be sold, transferred, mortgaged or otherwise disposed without the prior written consent of Shijiazhuang Medical Research. In addition, Chengde Yushi is not allowed to make any distributions to its shareholders without the prior written consent of Shijiazhuang Medical Research. In the event that Mr. Xie receives any distribution from Chengde Yushi and subject to the PRC laws, Mr. Xie must immediately pay or transfer such distribution to Shijiazhuang Medical Research (or its designee). If Shijiazhuang Medical Research exercises its purchase right, all or any part of the equity interest in and/or assets of Chengde Yushi acquired would be transferred to Shijiazhuang Medical Research.

As provided in the Exclusive Option Agreement, without the prior written consent of Shijiazhuang Medical Research, Chengde Yushi shall not, among other things, (i) sell, transfer, pledge or dispose of in any manner any of its assets; (ii) execute any material contract for a value more than RMB1 million, except any contracts in the ordinary course of business and any contracts entered into with any members of our Group; (iii) provide any loan, financial support, pledge or guarantees in any form to any third party, or allow any third party create any pledge or other security interest on its assets or equity; (iv) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business of Chengde Yushi or not disclosed and consented to by Shijiazhuang Medical Research; (v) enter into any consolidation, partnership, joint venture, or merger with any third party, or acquire or invest in any third party; or (vi) increase or reduce its registered capital, or alter the structure of the registered capital, or alter the company nature of Chengde Yushi in any other way. The Exclusive Option Agreement also provides that Mr. Xie and Chengde Yushi shall procure the subsidiaries of Chengde Yushi (if any) to comply with the above undertaking as if they are parties to the Exclusive Option Agreement.

(b) Exclusive Business Cooperation Agreement

Pursuant to the Exclusive Business Cooperation Agreement, Chengde Yushi agreed to engage Shijiazhuang Medical Research as its exclusive provider of business support, technical and consulting services to the extent allowed under the PRC laws, including the consultation services, procurement, production and sales consulting services in relation to the manufacturing and development of medicines, human resources consulting services, tax and financial management services, information system services, internal control services, technical support, licensing services, management consulting services in connection with the business operation of Chengde Yushi, consulting services in connection with the application of the necessary licenses, approvals and permits for the business operation of Chengde Yushi, in exchange for service fees. Under these arrangements, the service fees, subject to Shijiazhuang Medical Research's adjustment, are equal to the cumulative net profit of Chengde Yushi and its subsidiaries (if any). Shijiazhuang Medical Research may adjust the service fees at its sole discretion, after consideration of certain factors, including but not limited to the deduction of necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year, and may also include accumulated losses of Chengde Yushi and its subsidiaries (if any) from previous financial periods, which will be wired to the designated account of Shijiazhuang Medical Research upon issuance of payment notification by Shijiazhuang Medical Research.

Intellectual property rights are developed during the normal course of business of Chengde Yushi and its subsidiaries (if any). Pursuant to the Exclusive Business Cooperation Agreement, Shijiazhuang Medical Research has the exclusive and proprietary rights to all intellectual properties developed by Chengde Yushi and its subsidiaries (if any), given that Shijiazhuang Medical Research provides consultation services to Chengde Yushi and its subsidiaries (if any) during the term of the Exclusive Business Cooperation Agreement. Although the Group does not intend to transfer any existing intellectual property rights held by Chengde Yushi to Shijiazhuang Medical Research, Chengde Yushi is required under the Contractual Arrangements to obtain Shijiazhuang Medical Research's prior written consent before they transfer, assign or dispose of any of the intellectual properties to any third party.

The Exclusive Business Cooperation Agreement is valid for an initial term of ten years and Shijiazhuang Medical Research has the right to renew the term of the Exclusive Business Cooperation Agreement. Upon expiration of the initial term, the Exclusive Business Cooperation Agreement will be automatically extended for an indefinite term until Shijiazhuang Medical Research serves a written notice to confirm the term of renewal. Shijiazhuang Medical Research intends to renew the Exclusive Business Cooperation Agreement upon the expiry of its initial term unless (i) all equity interest in and/or assets of Chengde Yushi are transferred to Shijiazhuang Medical Research or its designee; and (ii) Shijiazhuang Medical Research and its subsidiaries are allowed to carry out the Relevant Businesses under the applicable PRC laws and regulations.

(c) Equity Pledge Agreement

Under the Equity Pledge Agreement, Mr. Xie pledged as first charge all of his equity interest in Chengde Yushi to Shijiazhuang Medical Research as collateral security for any or all of his payments due to Shijiazhuang Medical Research and to secure performance of (i) the respective obligations of Chengde Yushi and Mr. Xie under the Exclusive Option Agreement and the Power of Attorney (as defined below); and (ii) the obligations of Chengde Yushi under the Exclusive Business Cooperation Agreement. The Equity Pledge Agreement will not terminate until (i) all obligations of Chengde Yushi and Mr. Xie under the Contractual Arrangements are satisfied in full; (ii) Shijiazhuang Medical Research and/or its designee exercises its exclusive option to purchase the entire equity interests of Mr. Xie in Chengde Yushi and/or the entire assets of Chengde Yushi pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws and conducts; (iii) Shijiazhuang Medical Research exercises its unilateral and unconditional right of termination; or (iv) the agreement is required to be terminated in accordance with applicable PRC laws.

(d) Power of Attorney

Pursuant to the Power of Attorney, Mr. Xie appointed Shijiazhuang Medical Research or a director of its offshore holding company or its/his/her successor (including a liquidator replacing Shijiazhuang Medical Research's director) as his exclusive agent and attorney to act on his behalf on all matters concerning Chengde Yushi and to exercise all of its rights as a registered shareholder of Chengde Yushi. These rights include (i) the right to propose, convene and attend shareholders' meetings; (ii) the right to sell, transfer, pledge or dispose of shares; (iii) the right to exercise shareholders' voting rights; and (iv) the right to act as the legal representative (chairperson), the director, supervisor, the chief executive officer (or general manager) and other senior management members of Chengde Yushi. The authorised person is entitled to sign minutes, file documents with the relevant companies registry and exercise voting rights on the winding up of Chengde Yushi on behalf of Mr. Xie. Mr. Xie has also undertaken to transfer all assets obtained after the winding up of Chengde Yushi to Shijiazhuang Medical Research at nil consideration or the lowest price permissible by the then applicable PRC laws.

The Power of Attorney also provided that, in order to avoid potential conflicts of interest, where Mr. Xie is an officer or a director of Shijiazhuang Medical Research, the power of attorney is granted in favour of other unrelated officers or directors of the Company.

The Power of Attorney shall automatically terminate once Shijiazhuang Medical Research (or any member of our Group other than Chengde Yushi and its subsidiaries (if any)) directly holds the entire equity interests in and/or the entire assets of Chengde Yushi once permitted under the then PRC laws and Shijiazhuang Medical Research (or its subsidiaries (if any)) is allowed to conduct the Relevant Businesses under the then PRC laws, following which Shijiazhuang Medical Research is registered as the sole shareholder of Chengde Yushi.

(e) Spouse's Undertaking

Ms. Sun, the spouse of Mr. Xie, executed an irrevocable undertaking, whereby she expressly and irrevocably acknowledged and has undertaken that (i) any equity interest held by Mr. Xie in Chengde Yushi does not fall within the scope of their communal properties; (ii) she will not have any claim on the interests of Chengde Yushi obtained through the Contractual Arrangements; and (iii) she has never participated and unless with the prior written consent of Shijiazhuang Medical Research, will not participate in the operation or management of Chengde Yushi.

The transactions contemplated under the Contractual Arrangements constituted non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. However, waivers from strict compliance has been granted by the Stock Exchange in respect of (i) the announcement, circular and independent shareholders' approval requirements for the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; and (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules subject to several conditions and requirements.

Following Ms. Sun became the registered shareholder of Chengde Yushi in December 2021 and also completed the inheritance of the estate of the late Mr. Xie, in particular all the shares held by Mr. Xie in Modern Biotechnology, in early July 2024, the Group executed the new contractual arrangements (the “**New Contractual Arrangements**”) substantially on the same terms as those arrangements prior to the New Contractual Arrangements, save that (a) the identity of the sole registered shareholder of Chengde Yushi was changed from Mr. Xie to Ms. Sun and (b) Ms. Sun has executed the no spouse undertaking as a replacement to the existing spouse's undertaking as further detailed in the Company's announcement dated 14 June 2024.

The New Contractual Arrangements took effect on 4 July 2024 and the previous contractual arrangements were terminated concurrently upon the New Contractual Arrangements taking effect. The Group, through the New Contractual Arrangements, has exposure and rights to variable returns from its involvement with Chengde Yushi and has ability to affect those returns through its power over Chengde Yushi. Therefore, the Group continues to have control over Chengde Yushi.

APPENDIX VI MANAGEMENT DISCUSSION AND ANALYSIS OF THE PERFORMANCE OF THE TARGET GROUP

FOR THE YEAR ENDED 31 DECEMBER 2023

The principal activity of Target Group is manufacturing of registered traditional Chinese medicines and online sales of proprietary Chinese medicine. Each of the Target Company and Rebound is an investment holding company.

Liquidity and financial resources

Net Assets

As at 31 December 2023, the Target Group recorded total assets of approximately HK\$57.9 million. The net asset value as at 31 December 2023 was HK\$37.8 million.

Liquidity

The Target Group had total cash and bank balances of approximately HK\$10.6 million as at 31 December 2023. The current ratio was 3.16 and the gearing ratio was 0.06.

Charges on assets

At 31 December 2023, none of the assets of the Target Group was pledged.

Treasury policies

As at 31 December 2023, there were bank borrowings in the total sum of approximately HK\$2.3 million. The Target Group generally finances its operations through bank borrowings and with internally generated resources, shareholders, directors and related companies.

Foreign exchange exposure

The Target Group mainly earns revenue and incurs costs in HK\$. Foreign exchange risk is remote.

Capital structure

As at the year end date, the paid-up capital of the Target Company, Rebound, Wing Ming and Allways amounted to HK\$77,800, HK\$8, HK\$1 and HK\$10,000 respectively and were used as general working capital.

Employee and remuneration policies

As at 31 December 2023, the Target Group employed 47 employees.

APPENDIX VI MANAGEMENT DISCUSSION AND ANALYSIS OF THE PERFORMANCE OF THE TARGET GROUP

FOR THE YEAR ENDED 31 DECEMBER 2024

The principal activity of Target Group is manufacturing of registered traditional Chinese medicines and online sales of proprietary Chinese medicine. Each of the Target Company and Rebound is an investment holding company.

Liquidity and financial resources

Net Assets

As at 31 December 2024, the Target Group recorded total assets of approximately HK\$69.5 million. The net asset value as at 31 December 2024 was HK\$52.8 million.

Liquidity

The Target Group had total cash and bank balances of approximately HK\$8.4 million as at 31 December 2024. The current ratio was 6.0 and the gearing ratio was 0.02.

Charges on assets

At 31 December 2024, none of the assets of the Target Group was pledged.

Treasury policies

As at 31 December 2024, there were bank borrowings in the total sum of approximately HK\$1.1 million. The Target Group generally finances its operations through bank borrowings and with internally generated resources, shareholders, directors and related companies.

Foreign exchange exposure

The Target Group mainly earns revenue and incurs costs in HK\$. Foreign exchange risk is remote.

Capital structure

As at the year end date, the paid-up capital of the Target Company, Rebound, Wing Ming and Allways amounted to HK\$77,800, HK\$8, HK\$1 and HK\$10,000 respectively, and were used as general working capital.

Employee and remuneration policies

As at 31 December 2024, the Target Group employed 44 employees.

APPENDIX VI MANAGEMENT DISCUSSION AND ANALYSIS OF THE PERFORMANCE OF THE TARGET GROUP

FOR THE YEAR ENDED 31 DECEMBER 2025

The principal activity of Target Group is manufacturing of registered traditional Chinese medicines and online sales of proprietary Chinese medicine. Each of the Target Company and Rebound is an investment holding company.

Liquidity and financial resources

Net Assets

As at 31 December 2025, the Target Group recorded total assets of approximately HK\$95.3 million. The net asset value as at 31 December 2025 was HK\$65.3 million.

Liquidity

The Target Group had total cash and bank balances of approximately HK\$12.1 million as at 31 December 2025. The current ratio was 5.9 and the gearing ratio was N/A.

Charges on assets

At 31 December 2025, none of the assets of the Target Group was pledged.

Treasury policies

The Target Group generally finances its operations with internally generated resources, shareholders, directors and related companies. There is no borrowing from bank or finance institution.

Foreign exchange exposure

The Target Group mainly earns revenue and incurs costs in HK\$. Foreign exchange risk is remote.

Capital structure

As at the year end date, the paid-up capital of the Target Company, Rebound, Wing Ming and Allways amounted to HK\$77,800, HK\$8, HK\$1 and HK\$10,000 respectively and were used as general working capital.

Employee and remuneration policies

As at 31 December 2025, the Target Group employed 47 employees.