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

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

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

軟庫中華 SBI China

Financial Adviser to the Company

RAINBOW.
RAINBOW CAPITAL (HK) LIMITED
泓博資本有限公司

THE ACQUISITION

On 18 March 2026, the Company (as purchaser) and the Vendor (as vendor) entered into the Agreement pursuant to which the Company conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, for the Consideration in the amount of RMB21,603,729 (equivalent to approximately HK$24,412,214), which will be fully satisfied by:

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

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

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

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

As at the date of the Agreement, the Target Company holds the entire issued share capital of Sino Globe, which holds a 99% equity interest of Dongguan Chenghe, which in turn directly holds the entire issued share capital of Kaisa Healthcare Investment, which in turn directly holds a 54.84% equity interest of the Project Company. The Project Company is engaged in the research and development, manufacturing, and sale of pharmaceutical products (including anaesthetic products) in the PRC. The Project Company holds a pharmaceutical product manufacturing licence (藥品生產許可證) issued by the Qinghai Medical Products Administration (青海省藥品監督管理局), and has its own research and development and manufacturing facilities located in Xining City, Qinghai Province, the PRC with a total site area of approximately 76,000 sqm and a total gross floor area of approximately 43,890 sqm. In addition, the Project Company has established the Shanghai Research Institute in Shanghai, which specializes in the research and development of active pharmaceutical ingredients and formulations. These R&D investments are expected to facilitate further commercialization and enable leapfrog development in the coming years.

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

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

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

LISTING RULES IMPLICATIONS

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

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

THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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

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

THE PROPOSED SHARE CONSOLIDATION

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

The Share Consolidation is conditional upon, among other things, the passing of an ordinary resolution by the Shareholders at the SGM to approve the Share Consolidation.

THE PROPOSED CHANGE IN BOARD LOT SIZE

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

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Acquisition; (ii) a letter of recommendation of the Independent Board Committee in relation to the Acquisition; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; (iv) the audited financial information of the Target Group; (v) the unaudited pro forma financial information of the Enlarged Group upon Completion; (vi) the valuation report on the Target Company; (vii) further details of the Share Consolidation and the Change in Board Lot Size; (viii) the notice convening the SGM; and (ix) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 5 May 2026, as additional time is required to prepare the financial information of the Target Group and the valuation report on the Target Company to be included in the circular.

As each of the Share Consolidation and the Acquisition is conditional upon fulfillment or waiver (where applicable) of a number of conditions precedent, the Share Consolidation and the Acquisition may or may not proceed, respectively. Shareholders and potential investors are urged to exercise extreme caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers.

THE ACQUISITION

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

Assets to be acquired under the Agreement

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

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

Consideration

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

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

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

Basis for the determination of the Consideration

The Consideration was arrived at after arm's length negotiations between the Company and the Vendor with reference to the market value of the 100% equity interest in the Target Company appraised by the Valuer as at 30 November 2025 (the "**Valuation Date**") of approximately RMB21,603,729.

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

Details of the Valuation is set out in the section headed "**Valuation**" of this announcement and a copy of the valuation report issued by the Valuer is set out in Appendix III of this announcement.

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

Consideration Shares

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

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

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

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

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

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

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

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

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

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

The Company has not carried out any fund raising on any issue of equity securities in the 12 months immediately preceding the date of this announcement.

Conditions Precedent

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at 30 November 2025, the guarantee provided by Kaisa Healthcare Investment in relation to the foregoing debt amounted to approximately RMB136 million. The Vendor shall provide evidence that at least RMB36 million will have been repaid to the custodian account designated by the court, such that the liabilities to be borne by Kaisa Healthcare Investment will be no more than RMB100 million (i.e. the Capped Liabilities) and upon Completion, the liabilities to be taken up by the Group will not be more than RMB100 million (i.e. the Capped Liabilities). Such evidence is expected to be provided by the Vendor to the Company within 180 days of the date of the Agreement and in any event, before Completion. The arrangement on the Capped Liabilities is a commercial arrangement between the parties to the Agreement.

As at the date of this announcement, none of the Conditions Precedent has been fulfilled.

Completion

Completion will take place on the Completion Date.

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

VALUATION

The market value of the 100% equity interest in the Target Company as at 30 November 2025 amounts to RMB21,603,729. The market value of the Target Company is calculated by adjusting the market value of the Project Group (which has been determined based on the income approach) with the assets and liabilities of the Target Holding Companies, which are not related to the Project Group.

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

	RMB
Market Value of 100% equity interest in the Project Company before DLOM	**2,555,714,818**
Less: Minority Interest (45.71%)	(1,168,176,352)
Market Value of the Project Company held by the Target Company before DLOM	**1,387,538,466**
Less: Net liabilities of the Target Holding Companies	(1,360,398,104)
Market Value of 100% equity interest in the Target Company before DLOM	**27,140,363**
Less: Discount on lack of marketability	20.4%
Market Value of 100% equity interest in the Target Company after DLOM	**21,603,729**

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

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

Valuation approaches

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

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

The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the valued assets relative to the market comparable if necessary and appropriate. Assets for which there is an established secondary market may be appraised by this approach. The use of multiples in market approach over-simplifies complex information into just a single value or a series of values, even after adjustments were made. This effectively disregards other factors that affect a company's intrinsic value, such as growth or decline. As such, multiples are unlikely to be a reliable indicator of value and comparisons are not as conclusive. The Project Company is still in a high growth stage, with historical revenue growth of 9% in 2024 and 16% in 2025 mainly due to an overall increase in the demand for and sales of the products and increase in the prices of some of the products such as nalorphine products, opiate powder, dihydrocodeine tartrate and compound licorice tablets. Such growth rate is substantially higher than the projected CPI growth in the PRC of around 2% based on data from the Organization for Economic Co-operation and Development (OECD). Taking into account the foregoing, the market approach may not be the best method to fully reflect the actual situation currently undergoing by the Project Company, as the market approach does not fully take into account the future economic benefits of the Project Company. Therefore, the Valuer considered that market approach is not appropriate.

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

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

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

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

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

Where:

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

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

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

Where:

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

Cost of Equity

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

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

Where:

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

Key inputs and principal assumptions

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

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

a. risk-free rate: 1.83%
b. beta coefficient: 0.82
c. market risk premium: 5.25%
d. cost of equity: 6.13%
e. WACC: 12.98%
f. cost of debt: 4.17%
g. company specific risk premium: 4%
h. capital structure: 5.68% debt; 94.32% equity
i. growth rate perpetual: 2%
j. small capitalisation risk premium: 3.38%

(ii) The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. A discount for lack of marketability (DLOM) of 20.4% has been adopted in the valuation, with reference to "Stout Restricted Stock Study: Companion Guide (2023 Edition)";

(iii) Other assumptions:

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

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

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

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

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

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

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

Confirmations

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

A letter from the Reporting Accountant dated 18 March 2026 confirming that it has reviewed the accounting policies and the calculations for the Profit Forecast is set out in Appendix I to this announcement for the purpose under Rule 14.60A(2) of the Listing Rules.

The Financial Adviser has reviewed the assumptions upon which the Profit Forecast was based (details of which are set out in the section headed "**Valuation – Key inputs and principal assumptions**" in this announcement and is of the view that the Profit Forecast has been made with due care and consideration. A letter from the Financial Adviser dated 18 March 2026 is set out in Appendix II to this announcement for the purpose under Rule 14.60A(3) of the Listing Rules.

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

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

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

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

As at the date of this announcement, each of the Reporting Accountant, the Valuer and the Financial Adviser does not have any direct or indirect interests in any assets which have been since 31 December 2024 (the date to which the latest published annual results of the Group were made up) acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

The Board's view

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

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

(1) The Project Group is engaged in the research and development, manufacturing, and sale of pharmaceutical products in the PRC. The Project Group has a long business history and its business operation can date back to 1958. The Project Group has been profit making since the acquisition of the Project Group by Kaisa Group in 2019 and during the years in which the Project Group has been held by Kaisa Group. For each of the financial years ended 31 December 2023 and 2024 and the eleven months ended 30 November 2025, its unaudited net profit after taxation was over RMB60 million As at 30 November 2025, the unaudited carrying amount of non-current tangible asset was approximately RMB242 million.

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

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

    (a) Core products

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

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

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

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

(b) Other products

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

(ii) Noscapine Tablets (那可丁片)

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

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

(4) For the year ended 31 December 2025, the Management estimated that the Project Group has recorded revenue of RMB573.20 million from the sales of the 55 products (based on the unaudited management accounts of the Project Group for the eleven months ended 30 November 2025 and the financial projection of the Project Group for December 2025). It represented a growth of approximately 16% as compared to 2024.

(5) The Management projected that the Project Group's products will be in high growth stage from 2026 to 2030, maturity stage from 2031 to 2034, and stability stage from 2035 onwards. As shown in the table below, the Management projected that the Project Group will achieve an annual revenue growth rate of 26% – 28% during the high growth period from 2026 to 2030.

Product	**2025** *(RMB)*	**2026** *(RMB)*	**% increase**	**2027** *(RMB)*	**% increase**	**2028** *(RMB)*	**% increase**	**2029** *(RMB)*	**% increase**	**2030** *(RMB)*	**% increase**
Buprenorphine Injection (丁丙諾啡注射液)	9,355,802.91	17,588,909.46	88%	58,431,372.55	232%	112,984,597.07	93%	200,000,000.00	77%	300,000,000.00	50%
Hydromorphone Injection (氫嗎啡酮注射液)	–	6,371,681.42	–	15,355,752.22	141%	55,444,338.88	261%	119,444,145.28	115%	200,000,000.00	67%
Papaverine Hydrochloride Tablets (鹽酸罌粟鹼片)	70,479,717.70	94,485,476.00	34%	125,156,600.77	32%	185,726,938.60	48%	271,030,244.91	46%	500,000,000.00	84%
Naloxone Hydrochloride Injection (鹽酸納洛酮注射液)	–	20,000,000.00	–	20,000,000.00	0%	20,000,000.00	0%	20,000,000.00	0%	20,000,000.00	0%
Sub-total of core products	**79,835,520.60**	**138,446,066.88**	**73%**	**218,943,725.54**	**58%**	**374,155,874.55**	**71%**	**610,474,390.19**	**63%**	**1,020,000,000.00**	**67%**
Other products (such as Dihydrocodeine Tartrate Tablets (酒石酸雙氫可待因片), Noscapine Tablets (那可丁片), Allylmorphine injection (烯丙嗎啡注射液) and Other General Medicines (其他常規品種))	**493,365,606.66**	**583,861,743.86**	**18%**	**691,164,115.99**	**18%**	**790,782,162.62**	**14%**	**880,646,297.39**	**11%**	**888,634,480.10**	**1%**
Total	**573,201,127.26**	**722,307,810.74**	**26%**	**910,107,841.54**	**26%**	**1,164,938,037.17**	**28%**	**1,491,120,687.58**	**28%**	**1,908,634,480.10**	**28%**

(6) As can be seen from the above, among all the products of the Project Group, the four core products, namely the Buprenorphine Injection (丁丙諾啡注射液), the Hydromorphone Injection (氫嗎啡酮注射液), the Papaverine Hydrochloride Tablets (鹽酸罌粟鹼片) and the Naloxone Hydrochloride Injection (鹽酸納洛酮注射液), are expected to, collectively, drive substantial revenue growth of more than 50% each year for the period from 2026 to 2030. The other products are also expected to continue to drive revenue growth for the period from 2026 to 2030 (18% in 2026 and 1% in 2030).

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

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

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

(b) It is an existing product in the market. The Project Group commenced commercialization of the product in 2020. The Management estimated that the Project Group has recorded sales of the product of approximately RMB9.4 million in 2025 (based on the unaudited management accounts of the Project Group for the eleven months ended 30 November 2025 and the financial projection of the Project Group for December 2025), representing an approximately 96% increase as compared to the sales of approximately RMB4.8 million in 2024.

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

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

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

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

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

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

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

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

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

(vii) The Project Group commenced commercialization of the product in 2020. The Management estimated that the Project Group has recorded sales of the product of approximately RMB9.4 million in 2025 (based on the unaudited management accounts of the Project Group for the eleven months ended 30 November 2025 and the financial projection of the Project Group for December 2025), representing an approximately 96% increase as compared to the sales of approximately RMB4.8 million in 2024. The sales in the first few years of commercialization have been limited by the fact that Buprenorphine Injection has not yet been added to the National Essential Drug List and the Medical Insurance Catalog, as a result of which the early commercial promotion did not achieve effective conversion, the number of products sold to hospitals was small, and the vast majority of doctors did not have access to the drug, even if they wanted to use the drug. In 2025, the Project Group sold the product to 11 public hospitals only. However, once Buprenorphine Injection is added to the National Essential Drug List and the Medical Insurance Catalog, there will be exponential growth in hospitals using the drug, achieving exponential growth in sales.

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

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

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

快完成進院工作). On this basis, all 20,000 public hospitals in the centralized procurement system that have procurement needs for products should comply with the policy requirements for procurement and place orders for the products. However, the Project Group will not only rely on such policy support. Considering the fostering of long-term cooperation with hospitals, the Project Group will, through the Enlarged Marketing Team, positively interact with the hospitals with a view to promote its products to the hospitals. Such products would include not only Papaverine Hydrochloride Tablets (which has been added to the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province) in 2025), but also other products of the Project Group, including Buprenorphine Injection and Hydromorphone Injection. The Project Group, taking into account prevailing industry standards, has conservatively estimated that 10% of the public hospitals (approximately 1,700 to 2,200 public hospitals) will have access to the Project Group's promoted products during each year from 2026 to 2030.

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

iv. As can be seen in paragraph (8)(b) above, the Management estimated that the Project Group has achieved approximately 96% growth in sales in 2025. With the establishment of the Enlarged Marketing Team in 2026, further rapid growth is expected in the near future.

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

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

vii. As mentioned in paragraph (8)(b) above, the Management estimated that the Project Group has recorded sales of the product of approximately RMB9.4 million in 2025 (based on the unaudited management accounts of the Project Group for the eleven months ended 30 November 2025 and the financial projection of the Project Group for December 2025). Such sales were based on the existing 11 public hospitals, resulting in an annual sales rate of RMB900,000 per hospital. Assuming a conservative 20% conversion rate for new hospitals per year based on the lower range of 1,700 hospitals, approximately 340 new hospitals could become customers of the Project Group. Based on an annual sales rate of RMB900,000 per hospital, it is expected that such 340 new hospitals will result in an annual sales of approximately RMB306 million. However, taking a conservative approach, the Management has set a gradually increasing sales target for the Project Group of approximately RMB17 million, RMB58 million, RMB113 million, RMB200 million, and eventually RMB300 million in each year from 2026 to 2030, translating to the number of hospitals achieving conversion of approximately 20, 65, 125, 220 and 340 from 2026 to 2030, respectively, with the conversion rate of 1%, 4%, 7%, 13% and 20% respectively on the basis of the lower range of 1,700 hospitals. Such gradual conversion rate adheres to the principle of prudence and is reasonably achievable.

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) As set out above, the statutory maximum number of designated manufacturers for narcotic drugs such as Hydromorphone Injection is three. The Project Company is already at the last stage of obtaining the permits to be the third designated manufacturer. Upon receiving the registration approval for the product, the Project Company would be approved as the third manufacturer. At this stage, no further documents need to be submitted by the Project Company in connection with the application. To the knowledge of the Management, no other company has applied to be the third designated manufacturer. It is therefore expected with high probability that the Project Company will be the third designated manufacturer, taking into account the fact that the Management expects that the Project Company will obtain the registration approval for the product in mid-2026, and no other company has applied to be the third designated manufacturer to the knowledge of the Management. The designation is granted on five-year terms, renewable upon review by the NMPA (provincial level).

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

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

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

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

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

(b) Papaverine Hydrochloride Tablet is an existing product in the market, and is on the Medical Insurance Catalog. The Project Group has already commenced commercialization of the product in 2010. However, it is not until recent years when the market conditions have become favourable (details of which are set out in paragraph (c) below) that the Project Group has started putting more resources on the sales of Papaverine Hydrochloride Tablet as a core product. With more resources put on the sales of Papaverine Hydrochloride Tablet as a core product, the Management estimated that the Project Group has recorded sales of the product of approximately RMB70.5 million in 2025 (based on the unaudited management accounts of the Project Group for the eleven months ended 30 November 2025 and the financial projection of the Project Group for December 2025), representing an approximately 71% increase as compared to the sales of approximately RMB41.2 million in 2024.

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

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

(ii) In recent years, the market share and sales of Papaverine Hydrochloride Injections have been declining due to factors such as side effects and price reductions from centralized procurement. The side effects of Papaverine Hydrochloride Injections include skin and subcutaneous tissue (such as rashes and itching), systemic reactions (such as coldness, fever and pain), nervous system issues (such as dizziness and headache), cardiovascular system issues (such as chest pain, low blood pressure or hypertension) and other issues involving liver and gallbladder system, immune system and respiratory system. Papaverine Hydrochloride Tablets, as a safer option with fewer side effects, have made significant progress in replacing injections. In May 2024, based on post-marketing clinical feedback, the NMPA updated the instructions for Papaverine Hydrochloride Tablets and Papaverine Hydrochloride Injections. Papaverine Hydrochloride Injections received several new side effects, while Papaverine Hydrochloride Tablets have not. For safety reasons, in hospitals that stock Papaverine Hydrochloride Tablets, clinicians switched some patients from Papaverine Hydrochloride Injections to Papaverine Hydrochloride Tablets. According to Yaozhi, in the first half of 2025, sales volumes of Papaverine Hydrochloride Injections in China decreased of 5.28 million units. representing a 12% decrease as compared to the same period in 2024, while in the first half of 2025, the Project Company, as the only manufacturer that has obtained the necessary permits for the manufacturing of Papaverine Hydrochloride Tablets in China, recorded an increase of 0.59 million bottles in sales of Papaverine Hydrochloride Tablets, representing a 102% increase as compared to the same period in 2024.

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

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

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

(ii) With the addition of the product to the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province), a significant breakthrough in market access and sales volume is expected. As can be seen in paragraph (10)(b) above, the Project Company, as the exclusive manufacturer of the product in China, achieved approximately 71% growth in sales in 2025 (based on the unaudited management accounts of the Project Group for the eleven months ended 30 November 2025 and the financial projection of the Project Group for December 2025). Through the addition of the product to the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province), further rapid growth is expected in the near future, based on the following:

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

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

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

(iii) In 2025, the Management estimated that the Project Group generated sales volume of Papaverine Hydrochloride Tablets of RMB70.5 million from 200 Grade A tertiary hospitals, resulting in an annual sales rate of RMB350,000 per hospital (based on the unaudited management accounts of the Project Group for the eleven months ended 30 November 2025 and the financial projection of the Project Group for December 2025). Assuming that the lower range of 1,700 hospitals will be using the product, the Project Group would be able to generate sales of over RMB500 million per year.

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

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

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

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

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

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

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

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

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

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

(i) The Project Company has obtained a certificate of consistency evaluation in 2025, which is an approval of quality, making it one of the few companies in China qualified to participate in the national centralized procurement (a government-led bulk purchasing strategy where the government-led medical institutions buy drugs collectively). Currently, there are only 19 manufacturers of Naloxone Hydrochloride Injection in China (including the Project Company) which have passed the consistency evaluation. According to the centralized procurement rules, only companies with such certificates of consistency evaluation would be permitted to participate in the centralized procurement. As the Project Company has obtained a certificate of consistency evaluation for Naloxone Hydrochloride Injection, the product produced by the Project Company will be of no difference to the same products produced by other manufacturers with certificates of consistency evaluation and equally acceptable to the government-led medical institutions in the national centralized procurement.

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

(12) Other products

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

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

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

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

FINANCIAL GUARANTEES AND KEY LIABILITIES OF THE TARGET GROUP

The key liabilities and contingent liabilities of the Target Group (including the Project Group) as at 30 November 2025 are as follows:

(a) Target Holding Companies:

(i) **Minsheng Bank Loan:** the loan owing by Kaisa Healthcare Investment as borrower to Minsheng Bank as creditor (the "**Minsheng Bank Loan**") in initial principal amount of RMB421 million and outstanding principal amount of RMB351 million as at 30 November 2025, the maturity date of which is 20 December 2028 pursuant to the settlement agreement with Minsheng Bank and which is interest bearing at 4.45% to 6.6% per year (the total amount of interest to be accrued from 30 November 2025 to maturity is estimated to be approximately RMB48 million);

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

(iii) **Ruihong Guarantee:** guarantee provided by Kaisa Healthcare Investment in favour of Ruihong Real Estate (the "**Ruihong Guarantee**") in relation to the debt owing by Kaisa Shenzhen (a wholly-owned subsidiary of Kaisa Group) as borrower to Ruihong Real Estate as lender in the amount of approximately RMB136 million as at 30 November 2025. As mentioned in the Agreement, it is a condition precedent to completion of the Acquisition that the liability to be taken up by Kaisa Healthcare Investment shall not be more than RMB100 million. The parties are currently in discussions on the timing of the repayment and the outstanding amounts in connection with the Ruihong Guarantee are currently expected to be repaid in 2026. With the liability capped at RMB100 million, it is expected that sufficient liquidity will be available for the repayment as and when required;

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

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

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

(b) Project Group:

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

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

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

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

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

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

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

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

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

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

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

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

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

– The Group will receive distribution in a total amount of RMB144 million in connection with its investment in an investment fund (the "**Relevant Fund**"). The Relevant Fund was established in 2018 and has a 10-year investment term which will expire in 2028. The purpose of the Relevant Fund is to invest in companies with investment value and development potential in consumption upgrading and industry upgrading. The balance of the interests held by the Group in the Relevant Fund was approximately RMB144 million as at 30 November 2025. The Relevant Fund has been making distribution to the investors, and the Group has received RMB60,690,000 from the Relevant Fund by the end of 2025. It is expected that the Relevant Fund will make distribution of RMB20 million in each of 2026 and 2027 and RMB104 million to the Group upon the expiry of the investment term of the Relevant Fund in 2028.

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

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

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

SPECIFIC MANDATE

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

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

SHAREHOLDING STRUCTURE OF THE COMPANY

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

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

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

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

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

Notes:

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

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

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

4. *Save for Mr. Kwok's interest as disclosed in this announcement, none of the Directors holds any Shares as at the date of this announcement.*

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

As at the date of this announcement, the Company does not hold any treasury shares (including any treasury shares held or deposited with CCASS) and/or repurchased shares pending cancellation.

INFORMATION ON THE VENDOR AND KAISA GROUP

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

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

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

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

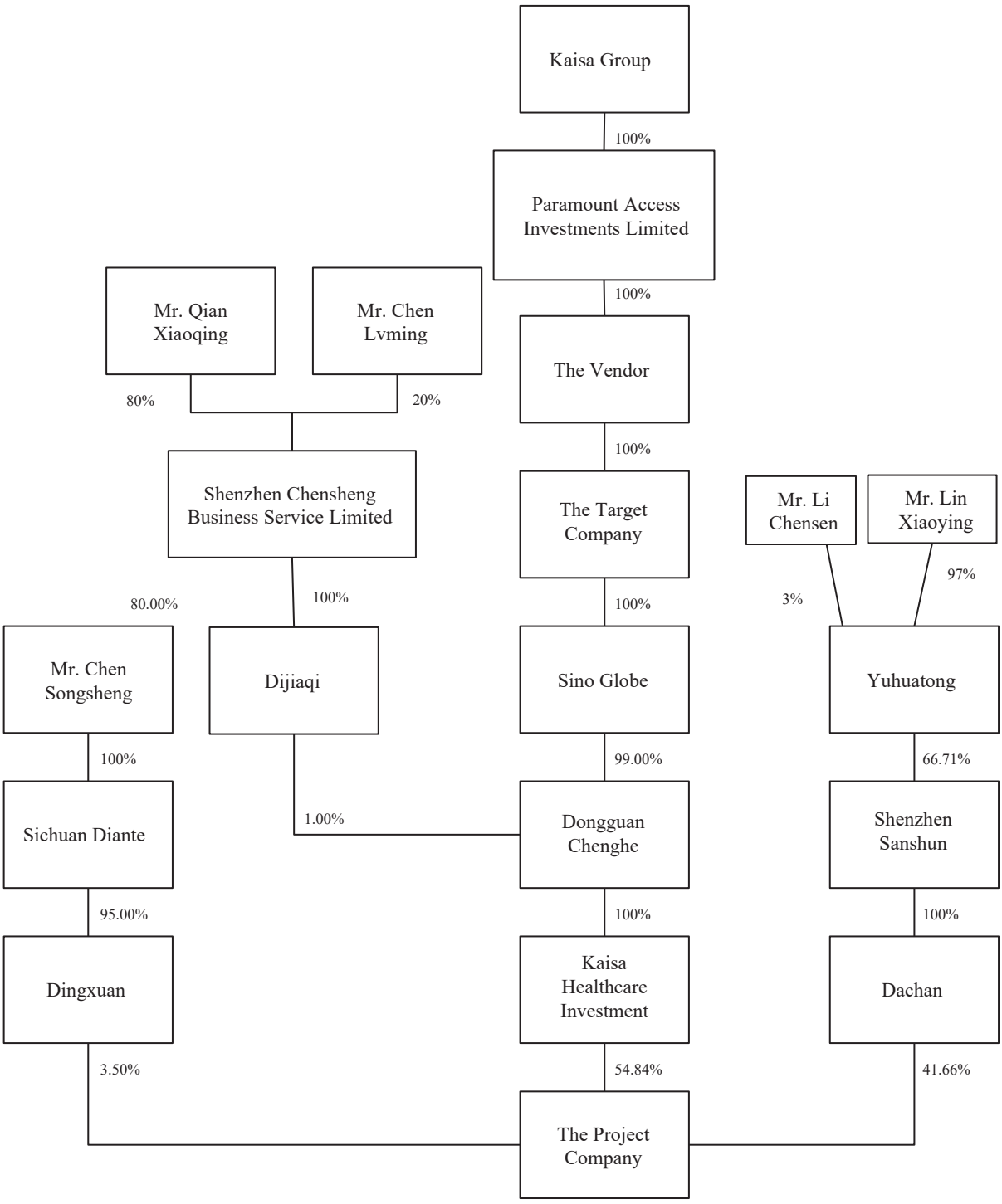
Kaisa Healthcare Investment, being a subsidiary of Kaisa Group, acquired a 54.84% equity interest in the Project Company in March 2019 at the original acquisition cost of RMB581 million. Kaisa Healthcare Investment has held such 54.84% equity interest in the Project Company since March 2019 and up to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

INFORMATION ON THE TARGET GROUP

As at the date of the Agreement, the Target Company holds the entire issued share capital of Sino Globe, which holds a 99% equity interest of Dongguan Chenghe, which in turn directly holds the entire issued share capital of Kaisa Healthcare Investment, which in turn directly holds a 54.84% equity interest of the Project Company. The Project Company is accounted for as an indirect subsidiary of the Target Company. Each of the Target Holding Companies is an investment holding company with no substantive business; and the principal assets held by the Target Group are the Project Group. The principal business of the Target Group is the Project Business.

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

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



The Project Group

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

The Project Business

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

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

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

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

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

Financial information of the Target Group

The Target Group (including the Project Group)

Set out below is certain unaudited consolidated financial information of the Target Group for the two years ended 31 December 2024, and for the eleven months ended 30 November 2025:

	For the year ended 31 December 2023	**For the year ended 31 December 2024**	**For the eleven months ended 30 November 2025**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Net profit/(loss) before taxation	(156)	(11,739)	(575,139)
Net profit/(loss) after taxation	(647)	(11,269)	(579,537)

As at 30 November 2025, the unaudited consolidated net liabilities of the Target Group amounted to approximately RMB432,550,000.

The Project Group

Set out below is certain unaudited consolidated financial information of the Project Group for the two years ended 31 December 2024, and for the eleven months ended 30 November 2025:

	For the year ended 31 December 2023	**For the year ended 31 December 2024**	**For the eleven months ended 30 November 2025**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Net profit/(loss) before taxation	76,837	68,227	81,938
Net profit/(loss) after taxation	67,641	60,863	70,758

As at 30 November 2025, the unaudited consolidated net asset value of the Project Group amounted to approximately RMB383,302,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, the liabilities of Kaisa Healthcare Investment in respect of the Ruihong Guarantee, the Minsheng Bank Loan and the Minsheng Bank Guarantees are strictly limited to the relevant Target Holding Company who is a party to the relevant finance documents, and no member of the Group has provided or will provide any additional guarantee or security in respect of the Ruihong Guarantee, the Minsheng Bank Loan or the Minsheng Bank Guarantees. Based on the foregoing, the maximum losses borne by the Company as purchaser as a result of the Acquisition should be limited to the value of the Consideration Shares that have been allotted and issued to the Vendor, as well as any loss that may be suffered by the Project Company in future, and the risks borne by the Group as purchaser relating to the liabilities of the Target Group are set out in the section headed "FINANCIAL GUARANTEES AND KEY LIABILITIES OF THE TARGET GROUP – Risks relating to the liabilities of the Target Group and the Group's assessment" on page 40 to page 41 of this announcement.

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

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

    (a) with respect to the Ruihong Guarantee, a judgment has been handed down by the Intermediate People's Court in Shenzhen that, among others, Kaisa Healthcare Investment shall bear joint responsibility as guarantor in respect of the underlying loan in the outstanding amount (including principal and accrued interest) of approximately RMB136 million as at 30 November 2025. It is a term of the Agreement (as a condition precedent to Completion) that the liabilities to be borne by Kaisa Healthcare Investment will be no more than RMB100 million (i.e. the Capped Liabilities). With the liability capped at RMB100 million, it is expected that sufficient liquidity will be available for the repayment as and when required (further details of which are set out in the section headed "FINANCIAL GUARANTEES AND KEY LIABILITIES OF THE TARGET GROUP" on page 38 to 41 of this announcement), and an enforcement of the Ruihong Judgement against Kaisa Healthcare Investment or its assets, including the 54.84% equity interest held by Kaisa Healthcare Investment in the Project Company, resulting in the transfer of such equity interest to the relevant creditor or its designated person, is therefore not expected to occur;

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

(ii) from the perspective of the creditors, the primary purpose of a freezing order application, or the right of the creditor under the freezing order, is property preservation, aimed at "locking in" the asset to prevent the asset holder from malicious transfer, thereby ensuring that the creditors will have priority in receiving the proceeds from the future judicial auction of the assets. The purpose of the freezing order is not to, and does not provide for the creditor's right to, interfere with or disrupt the normal operations of the company in respect of which the equity is frozen. Such company's daily operations continue as normal and are not affected by the disputes at the shareholder level. The freezing order itself does not mean that the relevant equity interest has been enforced, or will be enforced later. Generally, the freezing of the equity interest of the Project Company only means that the shareholder's right to dispose of such equity interest is restricted. According to PRC legal advice, pursuant to applicable PRC laws and regulations including the Civil Procedure Law of the People's Republic of China and the Provisions of the Supreme People's Court on Several Issues Concerning the Compulsory Enforcement of Equity Shares by People's Courts, and case laws in the PRC, the freezing order in connection with the Ruihong Guarantee and the Minsheng Bank Loan will not have any impact on the other shareholder rights such as dividend rights, voting rights, and information rights are not affected and the right of the Project Company to declare dividend is also not affected. As an independent legal entity, the Project Company's asset integrity and operational autonomy remain unaffected, and the normal business operations of the Project Company would not be affected.

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

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

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

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

2. Regarding the underlying debts that triggered the freezing order, Kaisa Healthcare Investment has already entered into a settlement agreement with Minsheng Bank, and there is a clear repayment plan in respect of the Ruihong Guarantee. Pursuant to the settlement agreement with the Minsheng Bank, the final maturity date has been extended to 2028, and with regards to the repayment plan in respect of the Ruihong Guarantee, the Group would have sufficient liquidity to repay the Capped Liabilities in connection with the Ruihong Guarantee such that an enforcement would not occur, taking into account the cash resources of the Group. In this regard, the Group has its plan and arrangement in place such that there will be sufficient cash resources to make the repayment as well as sufficient cash resources to continue the Group's operations after the repayment. Such plan and measure include lining up different sources of cash inflow including cash inflow from the Dental Business (which is expected to improve taking into account the synergies with the Project Business as mentioned above) and the Project Business and cash inflow from other sources such as the return from the Group's existing investments. Taking into account such measures in place, enforcement of the equity interest of the Project Company resulting in the transfer of such equity interest to the relevant creditor or its designated person will therefore be extremely unlikely.

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

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

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

As at the date of this announcement, the Company has no intention to change the composition of the Board as a result of the Acquisition.

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

LISTING RULES IMPLICATIONS

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

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

THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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

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

THE PROPOSED SHARE CONSOLIDATION

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

Conditions of the Share Consolidation

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

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

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

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

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

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

Effects of the Share Consolidation

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

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

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

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

Status of the Consolidated Shares

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

Listing application

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

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

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

OTHER ARRANGEMENTS

Fractional entitlement to Consolidated Shares

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

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

Odd lots trading arrangement

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

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

Exchange of share certificates

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

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

THE PROPOSED CHANGE IN BOARD LOT SIZE

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

Based on the closing price of HK$0.195 per Existing Share as quoted on the Stock Exchange on the date of this announcement, (i) the market value per board lot of 10,000 Existing Shares is HK$1,950; and (ii) the theoretical market value per board lot of 2,000 Consolidated Shares would be HK$19,500 assuming the Share Consolidation and the Change in Board Lot Size becoming effective.

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

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

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

It is worth noticing that the Existing Shares have predominantly been trading at below HK$0.1 during the past 18 months. Pursuant to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 30 August 2019, taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK$2,000. As at the date of this announcement, the closing price of the Existing Shares was HK$0.195 and the Existing Shares were trading at board lot value of HK$1,950. For the purpose of reducing transaction costs, the Board proposes the Share Consolidation and the Change in Board Lot Size.

The Share Consolidation and the Change in Board Lot Size reduce the number of new board lots and increases the value of each new board lot. After the Share Consolidation and the Change in Board Lot Size, and based on the closing price of the Existing Shares as at the date of this announcement, the theoretical market value of each new board lot will be HK$19,500. Typically, transaction fees are charged either per board lot or by trading amount. For transaction fees charged per board lot, transaction costs of dealings in fewer board lots are lower than those for more board lots. For transaction fees charged by trading amount, particularly for those that are subject to a minimum charge, increasing the value of each board lot will save costs for investors. It is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Consolidated Shares on the Stock Exchange and will reduce the overall transaction costs of dealings in the Shares. Further, the Board considers that the Change in Board Lot Size will also reduce the overall transaction and handling costs of dealings in each board lot of the Consolidated Shares, which will improve the liquidity of the Consolidated Shares.

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

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

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

EXPECTED TIMETABLE

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

Event	Time and date
Expected date of despatch of the circular with notice and form of proxy of the SGM	On or before Tuesday, 5 May 2026
Latest date and time for lodging transfer documents in order to qualify for attending and voting at the SGM	4:30 p.m. on Thursday, 14 May 2026
Closure of register of members for determining the entitlement to attend and vote at the SGM	Friday, 15 May 2026 to Wednesday, 20 May 2026 (both days inclusive)
Latest date and time for lodging forms of proxy for the SGM	10:00 a.m. on Monday, 18 May 2026
Record date for ascertaining Shareholders' entitlement to attend and vote at the SGM	Wednesday, 20 May 2026
Date and time of the SGM	10:00 a.m. on Wednesday, 20 May 2026
Announcement of poll results of the SGM	Wednesday, 20 May 2026

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

Event	**Time and date**
Effective date of the Share Consolidation	Friday, 22 May 2026
First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares	Friday, 22 May 2026
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Friday, 22 May 2026
Original counter for trading in the Existing Shares in board lots of 10,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Friday, 22 May 2026
Temporary counter for trading in the Consolidated Shares in board lots of 200 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Friday, 22 May 2026
Original counter for trading in the Consolidated Shares in new board lots of 2,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Monday, 8 June 2026
Parallel trading in the Consolidated Shares (in form of new share certificates and existing share certificates) commences	9:00 a.m. on Monday, 8 June 2026
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Monday, 8 June 2026
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. on Monday, 29 June 2026

Event	Time and date
Temporary counter for trading in the Consolidated Shares in board lots of 200 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Monday, 29 June 2026
Parallel trading in Consolidated Shares (in form of new share certificates and existing share certificates) ends	4:10 p.m. on Monday, 29 June 2026
Latest date and time for free exchange of existing share certificates for new share certificates for the Consolidated Shares	4:30 p.m. on Thursday, 2 July 2026

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

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

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Acquisition; (ii) a letter of recommendation of the Independent Board Committee in relation to the Acquisition; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; (iv) the audited financial information of the Target Group; (v) the unaudited pro forma financial information of the Enlarged Group upon Completion; (vi) the valuation report on the Target Company; (vii) further details of the Share Consolidation and the Change in Board Lot Size; (viii) the notice convening the SGM; and (ix) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 5 May 2026, as additional time is required to prepare the financial information of the Target Group and the valuation report on the Target Company to be included in the circular.

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

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

DEFINITIONS

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

"22-Province Alliance Centralized Procurement System (Led by Guangdong Province)"	the provincial-level alliance procurement of pharmaceuticals, jointly initiated by Guangdong and 21 other provincial-level administrative regions, which is a centralized volume-based procurement model for drugs with high clinical usage and high procurement costs. Pharmaceutical distributors compete through negotiation or bidding, with the goal of reducing drug prices under government guidance. All public medical institutions within the alliance region are required by policy to allocate no less than 70-80% of their market share to the successful bidders;
"Acquisition"	the acquisition of the entire issued share capital of the Target Company by the Company from the Vendor and other transactions in connection with such acquisition including the allotment and issue of the Consideration Shares pursuant to the terms and conditions of the Agreement;

"Agreement"	the conditional sale and purchase agreement dated 18 March 2026 entered into between the Company as purchaser and the Vendor as vendor for the Acquisition;
"associate"	has the meaning ascribed to it under the Listing Rules;
"BGES Consulting"	BGES Consulting, a market research firm whose core business involves publishing industry research reports covering various fields. Its research areas are extremely broad, including industry research and analysis in sectors such as healthcare;
"Board"	the board of the Company;
"Business Day"	a day on which licensed banks are generally open for business in Hong Kong (excluding Saturdays, Sundays, Hong Kong public holidays and any weekday on which a tropical cyclone warning No. 8 or above or a "black" rain storm warning signal is hoisted any time between 9:00 a.m. and 5:00 p.m.);
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC;
"CCASS Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time;
"Change in Board Lot Size"	the change in board lot size of the Shares for trading on the Stock Exchange from 10,000 Existing Shares to 2,000 Consolidated Shares;
"Company"	Kaisa Health Group Holdings Limited 佳兆業健康集團控股有限公司, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 876);
"Completion"	completion of the Acquisition;

"Completion Date"	the third Business Day following the date on which the Conditions Precedent (other than the Conditions Precedent in paragraphs (g) to (j) as set out in the section headed "**Conditions Precedent**" in this announcement) shall be fulfilled or (if applicable) waived, or such other date as may be designated by the Company in accordance with the Agreement, or such other date as the Company may notify the Vendor in writing;
"Conditions Precedent"	the conditions precedent to Completion;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	the total consideration in the amount of RMB21,603,729 (equivalent to approximately HK$24,412,214) payable by the Company in respect of the Acquisition;
"Consideration Share(s)"	2,789,967 new Consolidated Share(s) (assuming the Share Consolidation having taken effect) or 139,498,364 new Existing Share(s) (assuming the Share Consolidation not having taken effect) to be allotted and issued by the Company to the Vendor to settle the Consideration upon Completion;
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules;
"Consolidated Share(s)"	ordinary share(s) of the Company of HK$0.0625 each immediately after the Share Consolidation having become effective;
"Dental Business"	has the meaning given to it in the section headed "**REASONS FOR AND BENEFITS OF THE ACQUISITION**" in this announcement;
"Director(s)"	the director(s) of the Company;
"Dongfang"	Dongfang Yiyao 東方醫藥, a professional pharmaceutical marketing website affiliated with the China Pharmaceutical Marketing Alliance, which primarily provides e-commerce services such as product marketing and information exchange for the pharmaceutical industry;

"Dongguan Chenghe"	Chenghe Industrial Development (Dongguan) Co., Ltd. (誠合實業發展(東莞)有限公司), a company established in the PRC with limited liability, which holds 100% equity interest of Kaisa Healthcare Investment;
"Enlarged Group"	the Group as enlarged by the Target Group;
"Existing Businesses"	has the meaning given to it in the section headed "**REASONS FOR AND BENEFITS OF THE ACQUISITION**" in this announcement;
"Existing Share(s)"	ordinary share(s) of the Company of HK$0.00125 each prior to the Share Consolidation having become effective;
"Financial Adviser" or "Rainbow Capital"	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Company;
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures;
"Group"	the Company and its subsidiaries prior to Completion;
"Healthcare Business"	has the meaning given to it in the section headed "**REASONS FOR AND BENEFITS OF THE ACQUISITION**" in this announcement;
"HKFRSs"	Hong Kong Financial Reporting Standards;
"HKSCC"	Hong Kong Securities Clearing Company Limited;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;

"Independent Board Committee"	the independent board committee, comprising all three independent non-executive Directors, established by the Board to advise the Independent Shareholders in connection with the Acquisition;
"Independent Financial Adviser" or "SBI Capital"	SBI China Capital Hong Kong Securities Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition;
"Independent Shareholders"	the Shareholder(s) other than Shareholders who have a material interest in the resolutions to be passed at the SGM and must abstain from voting on the resolutions under the Listing Rules;
"IQVIA"	IQVIA HOLDINGS INC., a company incorporated in Delaware and the shares of which are listed on the New York Stock Exchange (NYSE: IQV), which is a global provider of advanced analytics, technology solutions, and clinical research services to the life sciences industry;
"Issue Price"	assuming the Share Consolidation having taken effect, HK$8.75 per Consideration Share, and assuming the Share Consolidation not having taken effect, HK$0.175 per Consideration Share;
"Kaisa Group"	Kaisa Group Holdings Ltd. (佳兆業集團控股有限公司*), an exempted company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1638);
"Kaisa Healthcare Investment"	Kaisa Healthcare Investment (Shenzhen) Co., Ltd.* (佳兆業醫療投資(深圳)有限公司), a company established in the PRC with limited liability which directly holds a 54.84% equity interest in the Project Company;
"Kaisa Shenzhen"	Kaisa Group (Shenzhen) Co., Ltd.* (佳兆業集團(深圳)有限公司), a company established in the PRC with limited liability;

"Listing Committee"	the Listing Committee of the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Stop Date"	31 December 2026, or such later date as agreed between the Vendor and the Company in writing;
"Management"	the management of the Target Group;
"Medical Insurance Catalog"	the National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《國家基本醫療保險、工傷保險和生育保險藥品目錄》), which was promulgated by the NHSA and the Ministry of Human Resources and Social Security and took effect on November 27, 2024 and revised on January 6, 2025, and which sets forth the categories, prices, reimbursement rates, and scope of reimbursement eligible for national reimbursement, and is adjusted once a year;
"Menet"	Menet (米內網), a leading platform for pharmaceutical and healthcare information, providing comprehensive pharmaceutical and healthcare information to professionals in the pharmaceutical industry, including pharmaceutical news, recruitment, R&D, exhibitions and data;
"Minsheng Bank"	China Minsheng Banking Corporation Limited, Shenzhen Branch;
"Minsheng Bank Guarantees"	has the meaning given to in the section headed "**Financial Guarantees and Key Liabilities of the Target Group**" in this announcement;
"Minsheng Bank Loan"	has the meaning given to in the section headed "**Financial Guarantees and Key Liabilities of the Target Group**" in this announcement;
"Mr. Kwok"	Mr. Kwok Ying Shing, an executive Director and an executive director of Kaisa Group;
"Ms. Chan"	Ms. Chan Nog, the spouse of Mr. Kwok;

"National Essential Drug List"	the National Essential Drug List (國家基本藥物目錄) promulgated by the National Health Commission and National Administration of Traditional Chinese Medicine, which is a list of essential drugs primarily intended to meet basic medical treatment needs, with appropriate dosage forms, reasonable prices, and guaranteed supply. The allocation requirements (being the proportion of essential drugs used by the hospital as compared to the total number of drugs used by the hospital) imposed by the National Health Commission on public hospitals of different levels are: no less than 90% for primary hospitals, no less than 80% for secondary hospitals, and no less than 60% for tertiary hospitals;
"National Key Monitoring List"	National Key Monitoring List (國家重點監控目錄), the list published by the National Health Commission, which serves as a regulatory tool for "restricted use";
"NHSA"	the National Healthcare Security Administration (國家醫療保障局);
"NMPA"	the National Medical Products Administration (國家藥品監督管理局);
"PRC"	the People's Republic of China;
"Project Business"	the business conducted by the Project Group, details of which are set out in the section headed "**INFORMATION ON THE TARGET GROUP – Project Business**" in this announcement;
"Project Company"	青海製藥有限公司 (Qinghai Pharmaceutical Co. Ltd.*), a company established in the PRC with limited liability;
"Project Group"	the Project Company and its subsidiary(ies);
"Reporting Accountant"	ZSZH (HK) Fuson CPA Limited (formerly known as SFAI (HK) CPA Limited);
"RMB"	Renminbi, the lawful currency of the PRC;

"Ruihong Guarantee"	has the meaning given to in the section headed "**Financial Guarantees and Key Liabilities of the Target Group**" in this announcement;
"Ruihong Judgment"	the judgment handed down by the Intermediate People's Court in Shenzhen that, among others, Kaisa Healthcare Investment shall bear joint responsibility as guarantor under the Ruihong Guarantee;
"Ruihong Real Estate"	Shenzhen Ruihong Real Estate Development Co., Ltd* (深圳市睿鴻置業發展有限公司), a company established in the PRC with limited liability and a creditor of the Vendor and/or its subsidiaries;
"Sale Shares"	the entire issued share capital of the Target Company;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company to be convened to approve, among others, the Acquisition, the proposed grant of the Specific Mandate, the allotment and issue of the Consideration Shares and the Share Consolidation in accordance with the Listing Rules;
"Share(s)"	the Existing Share(s) or the Consolidated Share(s), as the case may be;
"Share Consolidation"	the proposed consolidation of every fifty (50) Existing Shares into one (1) Consolidated Share;
"Shareholder(s)"	holder(s) of the Share(s);
"Sino Globe"	Sino Globe Limited 誠合有限公司, a company incorporated in Hong Kong with limited liability and is wholly-owned by the Target Company as at the date of the Agreement;
"Specific Mandate"	the specific mandate to be obtained by the Board from the Independent Shareholders at the SGM for the allotment and issue of the Consideration Shares;
"sqm"	square metres;

"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Company"	Embrace Blossom Limited (崇興有限公司), a company incorporated in the British Virgin Islands with limited liability and is wholly owned by the Vendor as at the date of this announcement;
"Target Group"	the Target Company and its subsidiaries, including the Project Group and the Target Holding Companies;
"Target Holding Companies"	collectively, the Target Company, Sino Globe, Dongguan Chenghe and Kaisa Healthcare Investment;
"Target Holding Companies Financial Obligations"	has the meaning given to in the section headed "**Financial Guarantees and Key Liabilities of the Target Group**" in this announcement;
"Valuation"	the valuation of the fair value of 100% issued share capital in the Target Company;
"Valuation Date"	has the meaning given to it in the section headed "**THE ACQUISITION**" in this announcement;
"Valuer"	Hong Kong Appraisal Advisory Limited, an independent professional valuer;
"Vendor"	Profit Vigorous Developments Limited (益旺發展有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Kaisa Group as at the date of this announcement;
"WHO"	the World Health Organization;
"Yaozhi"	Yao Zhi (藥智), a Chinese platform for big data services in the pharmaceutical and healthcare industries which integrates global pharmaceutical intelligence and boasts over 200 specialized databases covering the entire value chain, including research and development, production, and marketing;
"Ying Hua Holdings"	Ying Hua Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a company wholly owned by KS Holdings 2 Limited, which is the trustee of a discretionary trust of which Mr. Kwok is the founder;

"Zhiyanzhan"	Zhiyanzhan Industry Research Institute (智研瞻產業研究院), a consulting firm specializing in market research and industry analysis in China; and
"%"	per cent.

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

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

By Order of the Board
Kaisa Health Group Holdings Limited
Kwok Ying Shing
Chairman

Hong Kong, 18 March 2026

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Kwok Ying Shing (Chairman), Mr. Luo Jun, Mr. Liu Lihao, Ms. Luo Tingting, Mr. Xie Binhong and Mr. Ye Haoda and three independent non-executive Directors, namely Dr. Liu Yanwen, Dr. Lyu Aiping and Ms. Li Zhiying.

The following is the text of a report received from ZSZH (HK) Fuson CPA Limited (formerly known as SFAI (HK) CPA Limited), the reporting accountants of the Company, in relation to the Valuation in accordance with the requirements under Rule 14.60A(2) of the Listing Rules, for the purpose of incorporation into this announcement.

INDEPENDENT ASSURANCE REPORT ON THE ACCOUNTING POLICIES AND CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION

TO THE BOARD OF DIRECTORS OF KAISA HEALTH GROUP HOLDINGS LIMITED

We have examined the accounting policies adopted and calculations of the discounted future estimated cash flows on which the valuation prepared by Hong Kong Appraisal Advisory Limited dated 26 January 2026 in respect of the valuation on market value of 100% equity interest in Embrace Blossom Limited and its subsidiaries (the "**Target Group**") as at 30 November 2025 (the "**Valuation**") is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and have been included in the announcement dated 18 March 2026 issued by Kaisa Health Group Holdings Limited (the "**Company**") in connection with the very substantial acquisition and connected transaction in relation to acquisition of 100% equity interest in the Target Group (the "**Announcement**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions including the history, current, future perspectives of the financial projection and its nature of Target Group (the "**Assumptions**"). The Valuation set out in "Appendix III – Valuation report" of the Announcement which is prepared on a basis consistent in all material aspects with the accounting policies adopted by the Company. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows based on the management accounts of the Target Group for the years ended 31 December 2023 and 2024, and eleven months ended 30 November 2025 for the Valuation and applying an appropriate basis of preparation and accounting policies adopted in the notes to the Company's audited financial statements for the year ended 31 December 2024; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

It is our responsibility, pursuant to paragraph 14.60A(2) of the Listing Rules, to express an opinion on the accounting policies adopted and calculations of the discounted future estimated cash flows based on the management accounts of the Target Group for the years ended 31 December 2023 and 2024, and eleven months ended 30 November 2025, and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to form the opinion.

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the accounting policies and calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions and the accounting policies adopted in the notes to the Company's audited financial statements for the year ended 31 December 2024. Within the scope of our work, we, amongst others, reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and Assumptions.

The discounted future estimated cash flows have been prepared using a set of Assumptions that include hypothetical assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the Assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation.

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

Opinion

In our opinion, based on the foregoing, so far as the accounting policies and calculations are concerned, the discounted future estimated cash flows based on the management accounts of the Target Group for the years ended 31 December 2023 and 2024, and eleven months ended 30 November 2025 have been properly compiled, in all material respects, in accordance with the Assumptions and is prepared on a basis consistent in all material aspects with the accounting policies adopted in the notes to the Company's audited financial statements for the year ended 31 December 2024.

ZSZH (HK) Fuson CPA Limited
(formerly known as SFAI (HK) CPA Limited)
Certified Public Accountants

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

Lee Yan Fai
Practising Certificate Number: P06078
Hong Kong, 18 March 2026

The following is the text of a letter received from the Financial Adviser in relation to the Valuation in accordance with the requirements under Rule 14.60A(3) of the Listing Rules, for the purpose of incorporation into this announcement.

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

The Board of Directors
Kaisa Health Group Holdings Limited
30/F, The Center
99 Queen's Road Central
Central, Hong Kong

18 March 2026

Dear Sirs,

We refer to (i) the announcement of even date (the "**Announcement**") issued by Kaisa Health Group Holdings Limited (the "**Company**"); and (ii) the valuation report (the "**Valuation Report**") prepared by the Valuer in respect of the market value of 100% equity interest in the Target Company as at 30 November 2025, a copy of which is set out in Appendix III of the Announcement. Capitalised terms used in this letter shall have the same meanings as defined in the Announcement unless otherwise specified.

The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast (the "**Profit Forecast**") for the purpose of Rule 14.61 of the Listing Rules and, accordingly, the requirements under Rule 14.60A of the Listing Rules are applicable.

This letter is issued in compliance with Rule 14.60A(3) of the Listing Rules.

For the purpose of providing this letter, we, in our capacity as the financial adviser to the Company, have conducted the following due diligence:

(i) reviewed the Valuation and the Profit Forecast (i.e. the discounted future estimated cash flows as set out in Appendix 1 to the Valuation Report);

(ii) reviewed and discussed with the management of the Company and the Valuer and obtained supporting documents in respect of the valuation methodologies and the bases and assumptions upon which the Valuation and the Profit Forecast have been made;

(iii) considered the letter from ZSZH (HK) Fuson CPA Limited (formerly known as SFAI (HK) CPA Limited) of even date addressed to you regarding the accounting policies and calculations upon which the Profit Forecast has been made, which stated that the Profit Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the assumptions made by you; and

(iv) reviewed and discussed with the Valuer and obtained supporting documents for the Valuer's qualification and experience. We noted that (a) the Valuer is a leading provider of appraisal and advisory services in Hong Kong and is operated by a group of experienced professionals with proven track record of producing quality reports as public documents required by stock exchanges; (b) the Valuer has relevant track records of performing similar valuation; and (c) the responsible staffs of the Valuer for the Valuation include Dr. Jacqueline Huang who has been conducting business valuation for various purposes since 2005 and has extensive experience in transaction services, and Mr. Nick Fung who has more than 10 years of valuation experience.

As stated in the section headed "Sources of Information" in the Valuation Report, the Valuer relied on the financial projection of the Project Company (the "**Financial Projection**") provided by the Management. The Financial Projection was reviewed and agreed by the directors of the Company with due care and consideration. The Valuer has adjusted the Financial Projection into the cash flow projections by applying the Free Cash Flow to Firm formula, details of which are set out in Appendix 1 to the Valuation Report. For the bases and assumptions with respect to the Financial Projection, please refer to the sections headed "Income Approach – Revenue Projection/Gross Profit Margin/Net Profit Margin" in the Valuation Report. We have reviewed such bases and assumptions.

On the basis of the foregoing, we are satisfied that the Profit Forecast and the Valuation, for which you as the directors of Company are solely responsible, have been made by you with due care and consideration and that the bases and assumptions as set out in the Valuation Report with respect to the discounted future estimated cash flows have been made with due care and objectivity and on a reasonable basis. We are also satisfied that the Valuer is suitably qualified and experienced with sufficient current local knowledge, skills and understanding necessary to undertake the Valuation competently and that reliance could fairly be placed on the Valuer's work.

The work undertaken by us in giving the above opinion is for the sole purpose of reporting to you under Rule 14.60A(3) of the Listing Rules and for no other purpose. This letter may not be used or disclosed, referred or communicated (in whole or in part) to any party for any other purpose whatsoever, except with our prior written approval. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited

Larry Choi
Managing Director

The following is the text of the valuation report in respect of the 100% equity interest of the Target Company received from the Valuer, Hong Kong Appraisal Advisory Limited, for the purpose of incorporation into this announcement.

26 January 2026 Our Ref: B05225

Kaisa Health Group Holdings Ltd.
30/F., The Center
99 Queen's Road Central
Central
Hong Kong

Dear Sirs and Madams,

In accordance with the request and authorization of Kaisa Health Group Holdings Ltd. (the "**Group**" or the "**Client**"), we have been engaged to estimate the *market value* of 100% equity interest in Embrace Blossom Limited (the "**Target Company**", together with its subsidiaries, the "**Target Group**") and its subsidiaries as at 30 November 2025 (the "**Valuation Date**"). We are aware the Group plans to acquire the shareholding of the Target Company (the "**Acquisition**") and our valuation results may be used as a reference for the determination of the consideration for the Acquisition. The intended use of this report will be to serve as a basis for disclosure in the announcement and the circular to be published by the Client.

Notwithstanding that the Client proposes to acquire the entire interests of the Target Company, the Client is effectively acquiring 54.84% interest of the Project Company (as defined below) through the Acquisition. This valuation report identifies the subject assets, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value.

For the purposes of this valuation, the following terms are defined as follows:

Market value is the estimated amount at which a property might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts.

Business enterprise is defined as the combination of all tangible assets (buildings, machinery and equipment), long term investment, net working capital and intangible assets of a continuing business. Alternatively, the business enterprise is equivalent to the investment capital of the business, that is, the combination of the value of shareholder's equity and long-term debt. *Equity value* is the value of a business to all its equity holders.

The intended user is the Client and such other parties and entities (if any) expressly recognized by Hong Kong Appraisal Advisory Ltd.

We have valued the *market value* of the Target Company in accordance with the International Valuation Standards ("**IVS**") published by the International Valuation Standards Council.

INTRODUCTION

Kaisa Health Group Holdings Ltd.

Kaisa Health Group Holdings Limited (the "**Group**" or the "**Client**") is a listed company on The Stock Exchange of Hong Kong Limited (Stock Code: 876).

The Target Company

The Target Company is Embrace Blossom Limited, a private holding company registered in the British Virgin Islands. The Target Company holds the entire issued share capital of Sino Globe Limited (誠合有限公司) ("**Sino Globe**"), which holds 99% of Chenghe Industrial Development (Dongguan) Co., Ltd. (誠合實業發展(東莞)有限公司) ("**Dongguan Chenghe**"), which in turn directly holds 100% equity interest of Kaisa Healthcare Investment (Shenzhen) Co., Ltd. (佳兆業醫療投資(深圳)有限公司) ("**Kaisa Healthcare Investment**"), which in turn directly holds 54.84% equity interest of (青海製藥有限公司) (Qinghai Pharmaceutical Co. Ltd.) (the "**Project Company**", together with its subsidiaries, the "**Project Group**"). Each of the Target Company, Sino Globe, Dongguan Chenghe and Kaisa Healthcare Investment (collectively, the "**Target Holding Companies**") is an investment holding company with no substantive business; and the principal assets held by the Target Group are the Project Group, and the principal business of the Target Group is the business conducted by the Project Group, which is held as to 54.84% by the Target Holding Companies. The Project Company is a drug manufacturer based in the PRC and principally engages in the research and development, production and sale of narcotic and pharmaceutical drugs. It is also one of the two dominating suppliers of Active Pharmaceutical Ingredients ("**APIs**"). The Project Group has its production center in the Qinghai region of the PRC which consists of six workshops processing raw materials and synthesizing pharmaceutical drugs, a major research and development facility focusing on developing and testing of new drugs, as well as other supporting facilities including offices and storage facilities, occupying a total area of 30,200 square meters.

SOURCES OF INFORMATION

We relied on the following internal and external information in performing this valuation:

– The financial data of comparable companies from Bloomberg;

– The financial statements of the Target Company and its subsidiaries provided by the management of the Target Group (the "**Management**");

– The Financial Projection provided by the Management;

– Discussion with the Management.

We have also obtained information on the general economy and the industry from public sources including the National Bureau of Statistics of China, Bloomberg, The State Council Information Office, Trading Economics and Statista.

SCOPE OF WORK

The main purpose of this valuation is to estimate the market value of the Target Company. We have performed the following procedures:

– Discussion with the Management to understand the business operations of the Project Group;

– Review its historical performance and assess reasonableness of the financial forecast provided by the Management on the Target Company and the Project Company;

– Valuation analysis of the Project Company using *income approach*;

– Outline our findings (including valuation assumptions) and valuation results;

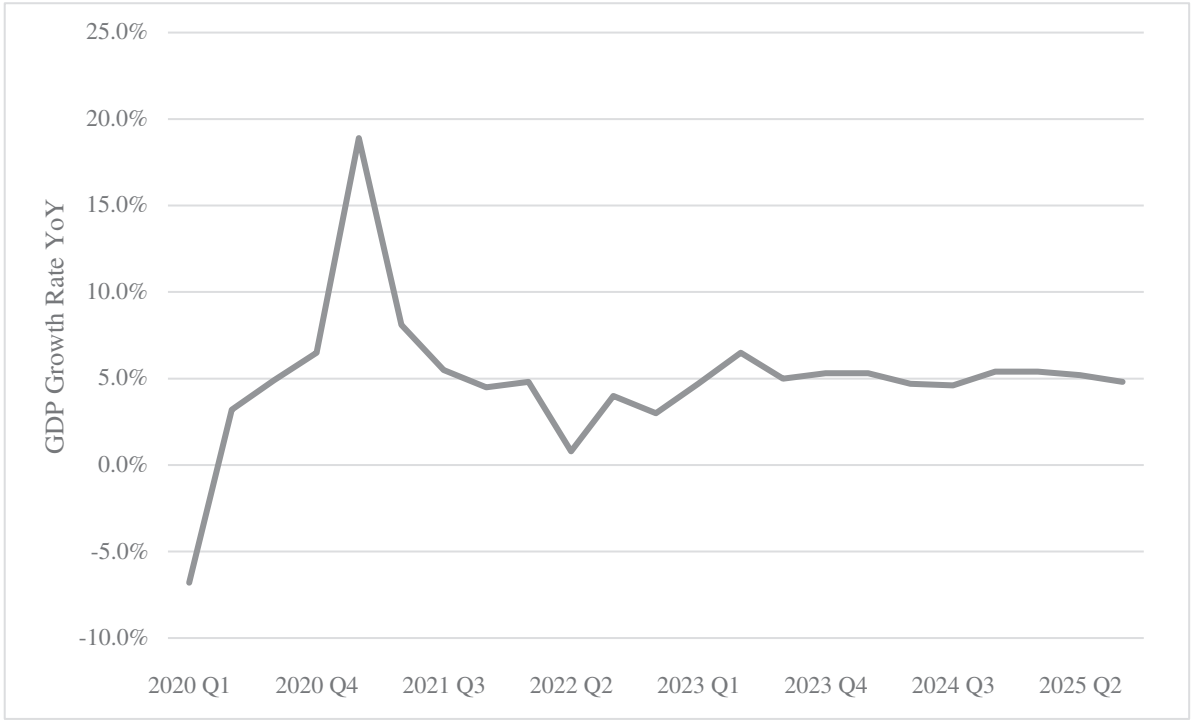
– Finalize valuation report of the Target Company.

ECONOMIC OVERVIEW

China Macroeconomic Conditions

Gross Domestic Product (GDP) measures the total value of all finished goods and services within a specific period for a country. China's nominal gross domestic product ("**GDP**") China's GDP grew by 4.8% year-on-year in the third quarter of 2025, which is slightly higher than the growth rate in 2024 Q3. The growth industry performed well in 2025, especially for manufacturing. Overall, the GDP growth rate is relatively stable since 2023.

Exhibit 1: China GDP YoY Growth Rate by Year (2020 Q1 to 2025 Q3)



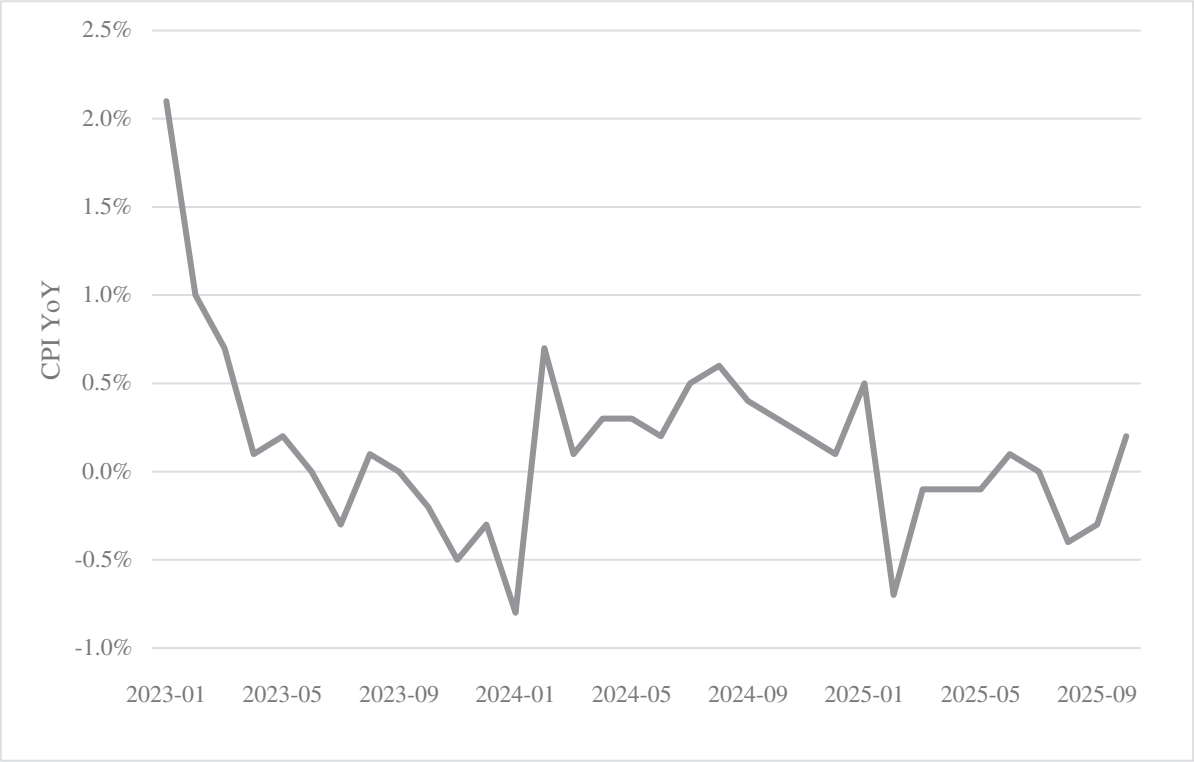
Source: Trading Economics

The Chinese government has set a GDP growth target of around 5% for 2025, consistent with the previous year's target. Although the economy recovered from the COVID-19 epidemic, the goal of GDP growth rate is still challenging for possible international conflict and trade war.

The government is implementing various measures to stimulate the economy, including stimulating consumption policy, easing property purchase restrictions, and easing monetary policy. However, challenges remain, particularly in the real estate sector, which continues to drag on economic performance.

Consumer Price Index ("**CPI**"), also known as inflation, measures the overall change in consumer price level based on a representative basket of goods and services over time.

Exhibit 2: Inflation rate in China from January 2023 to October 2025



Source: Trading Economics

According to the latest data, China's Consumer Price Index (CPI) decreased to 0.2% in June 2025 from over 2% inflation rate at the start of 2023. This indicates that the consumer market is generally stable, with prices holding steady. Non-food prices picked up, supported by consumer goods subsidies, with further increases in housing, clothing, healthcare, and education. At the same time, transport cost fell at a slower pace. On the food side, prices dropped at a steeper rate, marking the strongest fall in five months.[1] It is worth noting that China has experienced negative CPI for several months in the first half of the year. In the future, further easing monetary policies may be needed to address the potential deflation risk.

In terms of unemployment rate, China's surveyed unemployment rate dropped to 5% in June 2025, down from 5.5% in December 2022, marking the lowest level in six months. As of the latest reporting period, the urban surveyed unemployment rate across 31 major cities reached 5.2 percent, marking a 0.2 percentage point increase from June yet a slight decline of 0.1 percentage points compared to July 2024. Nationally, average weekly working hours for enterprise employees remained stable at 48.5 hours. From January through July, the average urban surveyed unemployment rate held steady at 5.2 percent, indicating a broadly stable labor market environment.[2] These figures reflect the stability of China's labor market and the employment situation across different regions.

[1] National Bureau of Statistics of China

[2] Trading Economic

HISTORICAL FINANCIAL INFORMATION DISCLOSURE

Financial Statements of the Target Company

For the purpose of this valuation, historical financial statements and forward-looking financial forecast and other records and documents pertaining to the business operations and assets were provided by the Management. We were furnished with the management accounts of the Target Company and Project Company for the two years ended 31 December 2023 and 31 December 2024 and eleven months ended 30 November 2025, and financial forecast for December 2025 – 2034. The management accounts of the Target Company and Project Company for the two years ended 31 December 2023 and 31 December 2024 and the eleven months ended 30 November 2025 are reported on in accordance with Rule 10 of the Code on Takeovers and Mergers (the "**Takeovers Code**"). The financial forecast for December 2025 – 2034 has been reported on by the Reporting Accountant and the Financial Advisor in accordance with Rule 10 of the Takeovers Code.

The following tables summarizes the financial statements of the Target Company (consolidated):

Consolidated Income Statement (in RMB)

	Unaudited Mgt Account For the year ended 31 December 2023	Unaudited Mgt Account For the year ended 31 December 2024	Unaudited Mgt Account For the eleven months ended 30 November 2025
Revenue	455,135,000	495,957,000	494,737,000
Less: Cost of revenue (COGS)	(225,049,000)	(300,810,000)	(287,814,000)
Gross profit (GP)	230,086,000	195,147,000	206,923,000
Less: Operating expenses			
Impairment Loss	5,669,000	(1,103,000)	(3,000,000)
Sales expense	(106,876,000)	(71,161,000)	(65,356,000)
Management expense	(65,426,000)	(63,718,000)	(59,921,000)
Operating income	63,453,000	59,165,000	78,646,000
Less: Other expenses	(13,545,000)	(9,415,000)	(597,579,000)
Non-operating expense	(25,542,000)	(26,580,000)	(25,032,000)
Earning before interest and tax (EBIT)	25,366,000	23,170,000	(543,965,000)
Add: Interest incomes/(expenses)	(25,522,000)	(34,909,000)	(31,174,000)
Earning before tax (EBT)	(156,000)	(11,739,000)	(575,139,000)
Less: Income tax expense	(491,000)	470,000	(4,398,000)
Net profit (NP)	(647,000)	(11,269,000)	(579,537,000)

Consolidated Balance Sheet (in RMB)

	Unaudited Mgt Account As at 31 December 2023	Unaudited Mgt Account As at 31 December 2024	Unaudited Mgt Account As at 30 November 2025
Non-current assets			
Property, plant and equipment	234,258,000	240,032,000	245,022,000
Right-of-use assets	12,301,000	12,022,000	11,801,000
Investment property	1,179,000	1,113,000	1,053,000
Intangible assets	155,358,000	124,814,000	98,377,000
Goodwill	473,857,000	473,857,000	473,857,000
Deferred tax assets	3,375,000	3,985,000	3,317,000
	880,328,000	855,823,000	833,427,000
Current assets			
Inventories	205,632,000	215,892,000	172,241,000
Trade and other receivables	71,690,000	56,503,000	164,655,000
Amount due from a fellow subsidiary	42,218,000	266,000	266,000
Bank balances and cash	70,244,000	157,774,000	30,425,000
	389,784,000	430,435,000	367,587,000
Total Assets	1,270,112,000	1,286,258,000	1,201,014,000
Non-current liabilities			
Long-term borrowing	196,000,000	–	326,300,000
Deferred income	44,032,000	36,199,000	29,417,000
	240,032,000	36,199,000	355,717,000
Current liabilities			
Short-term borrowing	229,300,000	421,300,000	45,000,000
Trade and other payables	235,042,000	318,873,000	307,712,000
Amount due to a fellow subsidiary	224,197,000	179,465,000	179,468,000
Estimated liabilities	1,338,000	139,492,000	136,441,000
Financial guarantees	125,632,000	–	600,000,000
Taxation payable	1,398,000	1,122,000	9,226,000
	816,907,000	1,060,252,000	1,277,847,000
Shareholder's equity			
Equity attributable to owners of the Company	(5,654,000)	(34,008,000)	(642,366,000)
Non-controlling interests	218,827,000	223,815,000	209,816,000
	213,173,000	189,807,000	(432,550,000)
Liabilities and shareholder's equity	1,270,112,000	1,286,258,000	1,201,014,000

The following tables summarizes the financial statements of the Project Company:

Income Statement (in RMB)

	Unaudited Mgt Account For the year ended 31 December 2023	Unaudited Mgt Account For the year ended 31 December 2024	Unaudited Mgt Account For the eleven months ended 30 November 2025
Revenue	455,134,640	495,956,707	494,737,175
Less: Cost of revenue (COGS)	(225,049,305)	(300,809,812)	(287,813,721)
Gross profit (GP)	230,085,336	195,146,895	206,923,454
	51%	39%	42%
Less: Operating expenses			
Sales expense	(106,875,219)	(71,161,228)	(65,355,687)
Management expense	(46,685,556)	(60,090,071)	(60,821,245)
Operating income	76,524,561	63,895,596	80,746,522
Add: Other incomes			
Non-operating income	1,851,710	5,968,755	4,823,552
Less: Other expenses			
Non-operating expense	(3,353,759)	(2,915,537)	(4,948,722)
Earning before interest and tax (EBIT)	75,022,512	66,948,814	80,621,352
	16%	13%	16%
Add: Interest incomes/(expenses)	1,814,420	1,278,675	1,316,265
Earning before tax (EBT)	76,836,932	68,227,489	81,937,616
Less: Income tax expense	(9,195,593)	(7,363,837)	(11,179,548)
Net profit (NP)	67,641,339	60,863,653	70,758,068

Balance Sheet (in RMB)

	Unaudited Mgt Account As at 31 December 2023	Unaudited Mgt Account As at 31 December 2024	Unaudited Mgt Account As at 30 November 2025
Non-current assets			
Investment real estate	1,178,513	1,112,935	1,052,821
Property, plant and equipment	42,549,424	41,729,549	44,836,453
Construction in progress	174,224,175	181,535,699	184,076,048
Intangible assets	9,011,956	8,807,139	8,619,390
Deferred tax assets	3,375,200	3,985,397	3,317,061
	230,339,267	237,170,717	241,901,774
Current assets			
Cash and cash equivalents	70,231,906	157,768,936	30,202,808
Notes and accounts receivable	67,254,471	33,191,437	116,696,098
Prepayments	3,344,644	19,997,122	42,323,473
Other receivables	1,081,246	2,002,785	4,324,545
Inventory	205,632,306	215,891,741	172,241,223
Amount due from a fellow subsidiary	6,540,000	–	39,520
	354,084,573	428,852,021	365,827,668
Total Assets	584,423,840	666,022,738	607,729,442
Non-current liabilities			
Special accounts payable	121,484,651	121,484,651	121,484,651
	121,484,651	121,484,651	121,484,651
Current liabilities			
Notes and accounts payable	32,776,303	42,923,775	24,922,189
Advance revenue	5,149,463	43,454,350	37,311,319
Tax payable/(refundable)	1,398,101	1,122,075	9,226,369
Other payable	38,272,937	25,726,732	21,128,904
Salary Payable	9,577,899	9,943,752	2,072,414
Accruals	6,509,497	14,979,324	8,282,000
	93,684,199	138,150,010	102,943,194
Shareholder's equity			
Share capital	100,000,000	100,000,000	100,000,000
Reserved fund	269,254,990	306,388,077	283,301,596
	369,254,990	406,388,077	383,301,596
Liabilities and shareholder's equity	584,423,840	666,022,738	607,729,442

BASIS OF VALUATION AND ASSUMPTIONS

We have valued the Project Company based on the premise of market value. Market value is defined as the estimated amount at which a property might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts.

Our investigation included discussions with the Management in relation to the history, current and future perspectives and nature of the Project Company, a study of the financial projection of the Project Company provided by the Management (the "**Financial Projection**"), a review of historical consolidated financial statements of the Target Company and Project Company, as well as other relevant documents provided by the Management. In arriving at our opinion of values, we have relied upon such projection, records and documents, as well as financial and business information from public sources, such as Bloomberg. We have discussed with the Management the basis and assumptions upon which the Financial Projection were made and other information related to the Target Company and Project Company. We have assumed that such information and representation provided to us are true and accurate. The valuation procedures we employed were based on generally accepted valuation procedures and practices. Before arriving at our opinion of values, we have considered the following principal factors:

– Identification of the Project Company and its subsidiaries, which is the fact that the Project Company is a drug manufacturer based in the PRC and principally engages in the research and development, production and sale of narcotic and pharmaceutical drugs;

– The nature and prospect of the business operated by the Project Company and its subsidiaries;

– The financial conditions and profitability of the Project Company and its subsidiaries;

– The economic outlook in general and the specific economic and competitive elements affecting the Project Company and its subsidiaries' business, its industries and its market;

– The assets, liabilities and past operating result of the Project Company and its subsidiaries;

– The nature, the regulatory framework and prospect of the industry of the Project Company and its subsidiaries in the PRC;

– The potential of the target markets to be served, which in this case, mainly the PRC market;

– The consolidated financial statements and other information provided by the Management;

– The risks of the business and inherent uncertainties in the Project Company and its subsidiaries' operation; and

– The Financial Projection provided by the Management.

Due to the changing environment in which the Project Company is operating, a number of assumptions have to be established in order to sufficiently support our conclusion of value. The assumptions in relation to the Project Company's future operations adopted in this valuation are:

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

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

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

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

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

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

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

We were furnished, for the purpose of this valuation, with relevant financial data as well as other records and documents. We noted that the financial data in relation to the Target Group are unaudited. As of the report date, the audited reports on the financial information as disclosed in this report are not available. The audit is still in the process of being reviewed and signed, and a formal audit report will be included in the circular later. Readers should note that unaudited financial information may be subject to future audit adjustments, and for the purpose of this valuation, we have relied on the unaudited financial information. In this regard, the Financial Adviser and the Reporting Accountants have reported on the unaudited financial information set out in this report. We do not provide assurance on the achievability of the results forecasted by the Management because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of forecasted results is dependent on actions, plans and assumptions of the Management.

VALUATION METHODOLOGY

Valuation Approaches

In arriving at our opinion on the *market value* of the Project Company as at Valuation Date, we have considered three generally accepted approaches, namely *Income Approach*, *Market Approach* and *Cost Approach*. Since each of the Target Holding Companies is a holding company, the market value of the Target Company is calculated by adjusting the *market value* of the Project Company with assets and outstanding liabilities of the Target Holding Companies which are not related to the Project Company.

Market approach provides an indication of value by comparing the asset with identical or comparable assets for which price information is available. *Market approach* considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect the condition and utility of the valued assets relative to the market comparable(s). Assets for which there is an established used market may be valued by this approach.

Income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined with reference to the value of income, cash flow or cost savings generated by the asset. It is based on the principle that an informed buyer would pay no more for the assets than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent assets with similar risk.

Cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

Selection of Valuation Approach and Method

The Project Company is a pharmaceutical company. Pharmaceutical companies generally are light asset companies with significant values which are not reflected in the balance sheets. Therefore, the adoption of *Cost Approach* is not an appropriate approach to value the underlying business of the Project Company. The *market value* of 100% equity interest in the Project Company is hence developed through the application of *discounted cash flow ("**DCF**") method* which is a method under the *Income Approach*.

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

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the valued assets relative to the market comparable if necessary and appropriate. Assets for which there is an established secondary market may be appraised by this approach.

The use of multiples in *Market Approach* over-simplifies complex information into just a single value or a series of values, even after adjustments were made. This effectively disregards other factors that affect a company's intrinsic value, such as growth or decline. As such, multiples are unlikely to be a reliable indicator of value and comparisons are not as conclusive. Historically, the revenue growth rate of the Project Company compared to the previous twelve months were 9% for the year ended 31 December 2024 compared to the year ended 31 December 2023, and 16% for the year ended 31 December 2025 (based on the unaudited management accounts of the Project Group for the eleven months ended 30 November 2025 and the financial projection of the Project Group for December 2025) compared to the year ended 31 December 2024 is substantially higher than the projected CPI growth in the PRC of around 2% based on data from the Organization for Economic Co-operation and Development (OECD). We have also compared the Project Company's growth rate to that of its comparable companies (choices for comparable companies are described later in this report). The average revenue growth rate, compared to the previous twelve months, as of 31 December 2024 for the comparable companies was 6.7% and 1.3% as of 30 November 2025 (where the latest historical data was publicly available), and the revenue growth rate of the Project Company as of the same period is notably higher than that of the comparable companies. In light of the above, we are of the view that the Project Company is still in a high growth stage, and that the *Market Approach* may not be the best method to fully reflect the actual situation currently undergoing by the Project Company, as the *Market Approach* does not fully take into account the future economic benefits of the Project Company. As a result, the *Income Approach* was adopted in this valuation.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. Following is a list of the common methods under the income approach and their major parameters:

- Conventional discounted cash flow analysis (cash flow forecast, WACC, optimal capital structure, terminal value) (the "***DCF method***");

- Adjusted present value method (all-equity financing base scenario, tax shield, cost of financial distress) (the "***APV method***"); and

- Capitalized earnings/cash flow method (adjusted earnings/cash flows, required rate of return, stabilized growth).

Under the *DCF method*, the forecasted cash flow is discounted back to the valuation date, resulting in a present value of the asset. The key steps in the *DCF method* are:

- Choose the most appropriate type of cash flow for the nature of the subject asset and the assignment (ie, pre-tax or post-tax, total cash flows or cash flows to equity, real or nominal, etc),

- Determine the most appropriate explicit period, if any, over which the cash flow will be forecast,

- Prepare cash flow forecasts for that period,

- Determine whether a terminal value is appropriate for the Project Company at the end of the explicit forecast period (if any) and then determine the appropriate terminal value for the nature of the asset,

- Determine the appropriate discount rate, and

- Apply the discount rate to the forecasted future cash flow, including the terminal value, if any.

INCOME APPROACH

Income Approach – Discounted Cash Flow Method

We have adopted the discounted cash flow ("**DCF**") method under the income approach based on the financial forecast and supporting explanations provided by the Management. We have discounted the Free Cash Flow to Firm ("**FCFF**"), that is, cash flows left over after covering capital expenditure and working capital needs, to estimate the enterprise value of Project Company.

FCFF – Free Cash Flow to Firm

We have discounted the Free Cash Flow to Firm ("**FCFF**"), that is, cash flows left over after covering capital expenditure and working capital needs, to estimate the enterprise value of the Project Company. The formula for FCFF is Net Profit + Depreciation + after-tax interest expenses – capital expenditure – change in working capital. The present value of the sum of FCFF and terminal value is a measure of *market value*.

The FCFF based on DCF method discounts the accumulated cash flows to all claimholders in the firm by the weighted average cost of capital ("**WACC**"). The rationale for the DCF model lies in the present value rule – the value of any asset is the present value of expected future cash flows, discounted at a rate appropriate to the risk of the cash flows not being realized. In applying the DCF method, there are three critical inputs: i) supportable cash flow projections, ii) an estimate of the terminal value at the end of the forecast period and iii) an appropriate discount rate by which to revert the cash flows to present value.

Cash flow Projections

We have adjusted the Financial Projection into the cash flow projections by applying the FCFF formula. Details of the DCF model is referenced in Appendix 1.

Revenue Projection

The Management projected that the Project Group's products will be in high growth stage from 2026 to 2030, maturity stage from 2031 to 2034, and stability stage from 2035 onwards. According to the Management, the Project Company is projected to achieve a projected revenue of RMB573.20 million in 2025, and an annual revenue growth rate of 26% – 28% from 2026-2030 (16% in 2025 and 9% in 2024), with the breakdown as follows:

Product	2025 *(RMB)*	2026 *(RMB)*	% increase	2027 *(RMB)*	% increase	2028 *(RMB)*	% increase	2029 *(RMB)*	% increase	2030 *(RMB)*	% increase
Buprenorphine Injection (丁丙諾啡注射液)	9,355,802.91	17,588,909.46	88%	58,431,372.55	232%	112,984,597.07	93%	200,000,000.00	77%	300,000,000.00	50%
Hydromorphone Injection (氫嗎啡酮注射液)	–	6,371,681.42	–	15,355,752.22	141%	55,444,338.88	261%	119,444,145.28	115%	200,000,000.00	67%
Papaverine Hydrochloride Tablets (鹽酸罌粟鹼片)	70,479,717.70	94,485,476.00	34%	125,156,600.77	32%	185,726,938.60	48%	271,030,244.91	46%	500,000,000.00	84%
Naloxone Hydrochloride Injection (鹽酸納洛酮注射液)	–	20,000,000.00	–	20,000,000.00	0%	20,000,000.00	0%	20,000,000.00	0%	20,000,000.00	0%
Sub-total of core products	**79,835,520.60**	**138,446,066.88**	**73%**	**218,943,725.54**	**58%**	**374,155,874.55**	**71%**	**610,474,390.19**	**63%**	**1,020,000,000.00**	**67%**
Other products (such as Dihydrocodeine Tartrate Tablets (酒石酸雙氫可待因片), Noscapine Tablets (那可丁片), Allylmorphine injection (烯丙嗎啡注射液) and Other General Medicines (其他常規品種))	**493,365,606.66**	**583,861,743.86**	**18%**	**691,164,115.99**	**18%**	**790,782,162.62**	**14%**	**880,646,297.39**	**11%**	**888,634,480.10**	**1%**
Total	**573,201,127.26**	**722,307,810.74**	**26%**	**910,107,841.54**	**26%**	**1,164,938,037.17**	**28%**	**1,491,120,687.58**	**28%**	**1,908,634,480.10**	**28%**

The revenue growth figures from 2031 to 2034 are extrapolated showing that the Project Company is transitioning from a high growth stage (2026 to 2030) to a maturity stage (2031 to 2034), and eventually stability stage from 2035 onwards, where revenue growth is generally in line with consumer price index ("**CPI**") growth in the PRC.

As mentioned above, among all the products of the Project Group, there are four core products, namely the Buprenorphine Injection (丁丙諾啡注射液), the Hydromorphone Injection (氫嗎啡酮注射液), the Papaverine Hydrochloride Tablets (鹽酸罌粟鹼片) and the Naloxone Hydrochloride Injection (鹽酸納洛酮注射液), which are expected to, collectively, drive substantial revenue growth of more than 50% each year for the period from 2026 to 2030. The other products are also expected to continue to drive moderate revenue growth for the period from 2026 to 2030 (18% in 2026 and flattened to 1% in 2030).

Details of the products expected to be supporting the expected growth from 2026-2030 are as follows:

(1) Buprenorphine Injection –

Product description:

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

Current status:

It is an existing product in the market. The Project Group commenced commercialisation of the product in 2020. The Management estimated that the Project Group has recorded sales of the product of approximately RMB9.4 million in 2025 (based on the unaudited management accounts of the Project Group for the eleven months ended 30 November 2025 and the financial projection of the Project Group for December 2025), representing an approximately 96% increase as compared to the sales of approximately RMB4.8 million in 2024.

Factors driving revenue growth:

(a) Expected inclusion in key lists:

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

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

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

The Project Group commenced commercialization of the product in 2020. The Management estimated that the Project Group has recorded sales of the product of approximately RMB9.4 million in 2025 (based on the unaudited management accounts of the Project Group for the eleven months ended 30 November 2025 and the financial projection of the Project Group for December 2025), representing an approximately 96% increase as compared to the sales of approximately RMB4.8 million in 2024. The sales in the first few years of commercialization have been limited by the fact that Buprenorphine Injection has not yet been added to the National Essential Drug List and the Medical Insurance Catalog, as a result of which the early commercial promotion did not achieve effective conversion, the number of products sold to hospitals was small, and the vast majority of doctors did not have access to the drug, even if they wanted to use the drug. In 2025, the Project Group sold the product to 11 public hospitals only. However, once Buprenorphine Injection is added to the National Essential Drug List and the Medical Insurance Catalog, there will be exponential growth in hospitals using the drug, achieving exponential growth in sales.

Notes:

*"**National Essential Drug List**" means the National Essential Drug List (國家基本藥物目錄) promulgated by the National Health Commission and National Administration of Traditional Chinese Medicine, which is a list of essential drugs primarily intended to meet basic medical treatment needs, with appropriate dosage forms, reasonable prices, and guaranteed supply. The allocation requirements (being the proportion of essential drugs used by the hospital as compared to the total number of drugs used by the hospital) imposed by the National Health Commission on public hospitals of different levels are: no less than 90% for primary hospitals, no less than 80% for secondary hospitals, and no less than 60% for tertiary hospitals.*

*"**Medical Insurance Catalog**" means the National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《國家基本醫療保險、工傷保險和生育保險藥品目錄》), which was promulgated by The National Healthcare Security Administration (國家醫療保障局) and the Ministry of Human Resources and Social Security and took effect on November 27, 2024 and revised on January 6, 2025, and which sets forth the categories, prices, reimbursement rates, and scope of reimbursement eligible for national reimbursement, and is adjusted once a year.*

(b) Advantages of Buprenorphine Injection compared to other analgesic products

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

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

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

(c) Huge Chinese market size:

According to Zhiyanzhan Industry Research Institute (智研瞻產業研究院), a consulting firm specializing in market research and industry analysis in China, the PRC analgesic industry (comprising all kinds of analgesic products including potent opioid analgesics) is projected to grow at a rate of 6%-8% annually from 2024 to 2030, reaching a market size of RMB210 billion in 2030. Currently, the size of the market in the PRC for potent opioid analgesics, such as Buprenorphine Injection and other buprenorphine products, exceeds RMB15 billion (source: IQVIA). In addition, according to the "China Buprenorphine Market Research and Development Prospect Forecast Report 2025" released by BGES Consulting (a market research firm whose core business involves publishing industry research reports covering various fields. Its research areas are extremely broad, including industry research and analysis in sectors such as healthcare), the PRC buprenorphine market size (including Buprenorphine Injection and other buprenorphine products) is projected to reach approximately RMB12.4 billion by 2025 and RMB18.2 billion by 2030. As mentioned in the next paragraph, currently, there are only two designated manufacturers (including the Project Company) for Buprenorphine Injection in China.

(d) High entry barrier:

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

(e) Sales efforts of the Project Group:

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

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

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

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

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

As mentioned above, the Management estimated that the Project Group has recorded sales of the product of approximately RMB9.4 million in 2025 (based on the unaudited management accounts of the Project Group for the eleven months ended 30 November 2025 and the financial projection of the Project Group for December 2025). Such sales were based on the existing 11 public hospitals, resulting in an annual sales rate of RMB900,000 per hospital. Assuming a conservative 20% conversion rate for new hospitals per year based on the lower range of 1,700 hospitals, approximately 340 new hospitals could become customers of the Project Group. Based on an annual sales rate of RMB900,000 per hospital, it is expected that such 340 new hospitals will result in an annual sales of approximately RMB306 million.

However, taking a conservative approach, the Management has set a gradually increasing sales target for the Project Group of approximately RMB17 million, RMB58 million, RMB113 million, RMB200 million, and RMB300 million from 2026 to 2030, translating to the number of hospitals achieving conversion of approximately 20, 65, 125, 220 and 340 from 2026 to 2030, respectively, with the conversion rate of 1%, 4%, 7%, 13% and 20% respectively on the basis of the lower range of 1,700 hospitals. Such gradual conversion rate adheres to the principle of prudence and is reasonably achievable.

(2) Hydromorphone Injection –

Product description:

The Hydromorphone Injection is a product mainly for analgesic treatment, managed as a narcotic drug.

Current status:

This is an existing product in the market (which was first introduced to the market in 2013), and is on the Medical Insurance Catalog. The Project Company is progressing the research of this pipeline smoothly and it is expected to obtain registration approval in the middle of 2026. Please see below for further details.

Factors driving revenue growth:

(a) Market landscape and product features:

According to data from Menet (米內網) ("**Menet**") (a leading platform for pharmaceutical and healthcare information, providing comprehensive pharmaceutical and healthcare information to professionals in the pharmaceutical industry, including pharmaceutical news, recruitment, R&D, exhibitions and data), the sales of Hydromorphone Injection in public medical institutions in China was approximately RMB140 million in 2019, and the sales exceeded RMB700 million in 2024, with an average annual compound growth rate over the past five years of approximately 40%. Based on this calculation, the overall market size is expected to reach RMB1.3 billion by 2030.

The reason for the growth in the sales of Hydromorphone Injection in Chinese public medical institutions is attributable to the special features of the product, namely strong analgesia, relatively rapid onset of action, lower side effects and higher titration efficiency.

(b) Imminent launch:

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

(c) High barrier to entry:

According to PRC regulations (《國家藥監局關於發佈麻醉藥品和精神藥品實驗研究管理規定的公告(2025年第51號》，附件2《麻醉藥品和精神藥品生產企業數量規定》), the maximum number of designated manufacturers for narcotic drugs such as Hydromorphone Injection is three, limiting the supply of this product. Currently, there are only two designated manufacturers in the market, and the Project Company is already at the last stage of obtaining the permits to be the third designated manufacturer. Upon receiving the registration approval for the product, the Project Company would be approved as the third manufacturer. At this stage, no further documents need to be submitted by the Project Company in connection with the application. To the knowledge of the Management, no other company has applied to be the third designated manufacturer. It is therefore expected with high probability that the Project Company will be the third designated manufacturer, taking into account the fact that the Management expects that the Project Company will obtain the registration approval for the product in mid-2026, and no other company has applied to be the third designated manufacturer to the knowledge of the Management. The designation is granted on five-year terms, renewable upon review by the National Medical Products Administration (provincial level).

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

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

Based on information available to the Management, the annual average hospital sales of Hydromorphone Injection of an existing competitor is approximately RMB700,000 per hospital. Assuming a conservative 20% conversion rate for new hospitals per year based on the lower range of 1,700 hospitals, approximately 340 new hospitals could become customers of the Project Group. Based on an annual sales rate of RMB700,000 per hospital, this is expected to generate an estimated annual sales volume of approximately RMB200 million.

However, taking a conservative approach, the Management has set a gradually increasing sales target for the Project Group of approximately RMB6.4 million, RMB15 million, RMB55 million, RMB119 million, and eventually RMB200 million in each year from 2026 to 2030, translating to the number of hospitals achieving conversion of approximately 9, 22, 80, 170, and 340 from 2026 to 2030, respectively, with the conversion rate of 1%, 1%, 5%, 10% and 20% respectively based on the lower range of 1,700 hospitals. Such gradual conversion rate adheres to the principle of prudence and is reasonably achievable.

(3) Papaverine Hydrochloride Tablets –

Product description:

It is mainly used to treat ischemia caused by cardiovascular spasm or peripheral vascular spasm, or spasms of internal organs such as the gallbladder, kidneys, and gastrointestinal tract.

Current status:

Papaverine Hydrochloride Tablet is an existing product in the market, and is on the Medical Insurance Catalog. The Project Group has already commenced commercialization of the product in 2010. However, it is not until recent years when the market conditions have become favourable (details of which are set out in paragraph (c) below) that the Project Group has started putting more resources on the sales of Papaverine Hydrochloride Tablet as a core product. With more resources put on the sales of Papaverine Hydrochloride Tablet as a core product, the Management estimated that the Project Group has recorded sales of the product of approximately RMB70.5 million in 2025 (based on the unaudited management accounts of the Project Group for the eleven months ended 30 November 2025 and the financial projection of the Project Group for December 2025), representing an approximately 71% increase as compared to the sales of approximately RMB41.2 million in 2024.

Factors driving revenue growth:

(a) Huge Chinese market size and gradual replacement of Papaverine Hydrochloride Injections by Papaverine Hydrochloride Tablets:

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

In recent years, the market share and sales of Papaverine Hydrochloride Injections have been declining due to factors such as side effects and price reductions from centralized procurement. The side effects of Papaverine Hydrochloride Injections include skin and subcutaneous tissue (such as rashes and itching), systemic reactions (such as coldness, fever and pain), nervous system issues (such as dizziness and headache), cardiovascular system issues (such as chest pain, low blood pressure or hypertension) and other issues involving liver and gallbladder system, immune system and respiratory system. Papaverine Hydrochloride Tablets, as a safer option with fewer side effects, have made significant progress in replacing injections. In May 2024, based on post-marketing clinical feedback, the NMPA updated the instructions for Papaverine Hydrochloride Tablets and Papaverine Hydrochloride Injections. Papaverine Hydrochloride Injections received several new side effects, while Papaverine Hydrochloride Tablets have not. For safety reasons, in hospitals that stock Papaverine Hydrochloride Tablets, clinicians switched some patients from Papaverine Hydrochloride Injections to Papaverine Hydrochloride Tablets. According to Yaozhi, in the first half of 2025, sales volumes of Papaverine Hydrochloride Injections in China decreased of 5.28 million units. representing a 12% decrease as compared to the same period in 2024, while in the first half of 2025, the Project Company, as the only manufacturer that has obtained the necessary permits for the manufacturing of Papaverine Hydrochloride Tablets in China, recorded an increase of 0.59 million bottles in sales of Papaverine Hydrochloride Tablets, representing a 102% increase as compared to the same period in 2024.

(b) Project Company as the exclusive manufacturer in the PRC:

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

(c) Distribution through the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province):

The Papaverine Hydrochloride Tablets produced by the Project Group were added to the 22-Province Alliance Centralized Procurement System (Led by Guangdong Province) in October 2025, with an implementation term of three years from 2026 to 2028. 22-Province Alliance Centralized Procurement System (Led by Guangdong Province) is the provincial-level alliance procurement of pharmaceuticals, jointly initiated by Guangdong and 21 other provincial-level administrative regions, which is a centralized volume-based procurement model for drugs with high clinical usage and high procurement costs. Pharmaceutical distributors compete through negotiation or bidding, with the goal of reducing drug prices under government guidance. All public medical institutions within the alliance region are required by policy to allocate no less than 70-80% of their market share to the successful bidders. As the exclusive manufacturer of the product in China, it is likely that the Papaverine Hydrochloride Tablets produced by the Project Group will be able to continue to win bid if opened in future. The 22-Province Alliance Centralized Procurement System (led by Guangdong Province) refers to the expansion and coordination of the government's Volume-Based Procurement (VBP) program, where provincial governments group together to purchase pharmaceuticals and medical consumables in massive volumes, leveraging their combined buying power to force significant price reductions from suppliers, aiming to lower healthcare costs, fight corruption, and promote efficient, high-quality drug supply. Through the addition of the product to the procurement system, it is expected that 1,700-2,200 new hospitals will have access to the product each year, resulting in a significant breakthrough in market access and sales volume, based on the following:

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

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

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

In 2025, the Management estimated that the Project Group generated sales volume of Papaverine Hydrochloride Tablets of RMB70.5 million from 200 Grade A tertiary hospitals, resulting in an annual sales rate of RMB350,000 per hospital (based on the unaudited management accounts of the Project Group for the eleven months ended 30 November 2025 and the financial projection of the Project Group for December 2025). Assuming that the lower range of 1,700 hospitals will be using the product, the Project Group would be able to generate sales of over RMB500 million per year.

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

(4) Naloxone Hydrochloride Injection –

Product description:

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

Current status:

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

Factors driving revenue growth:

(a) Growing market:

According to the data from Menet, in 2021 to 2023, the national market size of this product was approximately RMB264 million, RMB413 million, RMB535 million, representing an annual compound growth rate over such three-year period of approximately 43%. Taking a conservative approach, the market of this product is expected to grow at a rate of 10% each year, reaching a market size of over RMB1 billion in 2030. The reasons for the market growth or a growing need for this product are twofold:

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

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

(b) Advantage in gaining a market share:

The Project Company has obtained a certificate of consistency evaluation in 2025, which is an approval of quality, making it one of the few companies in China qualified to participate in the national centralized procurement (a government-led bulk purchasing strategy where the government-led medical institutions buy drugs collectively). Currently, there are only 19 manufacturers of Naloxone Hydrochloride Injection in China (including the Project Company) which have passed the consistency evaluation. According to the centralized procurement rules, only companies with such certificates of consistency evaluation would be permitted to participate in the centralized procurement. As the Project Company has obtained a certificate of consistency evaluation for Naloxone Hydrochloride Injection, the product produced by the Project Company will be of no difference to the same products produced by other manufacturers with certificates of consistency evaluation and equally acceptable to the government-led medical institutions in the national centralized procurement.

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

(5) Other Products

For other products, historically, revenue increased by 12.5% year-on-year in 2024 compared to 2023, and is estimated to increase by 11% year-on-year in 2025. While the other products are expected to continue to drive revenue growth for the period from 2026 to 2030, the collective growth rate of the other products (18% in 2026 to 1% in 2030) is less than that of the core products (more than 50% for each year from 2026 to 2030) taking into account factors including the product attributes and clinical value, number of years of commercialization, number of substitutes available, market landscape and regulatory requirements. With the exception of two products, all of the other products have been commercialized by the Project Company and have track record of an average of 5 years and are expected to enter into a stabilization period starting 2030. Leveraging the existing sales network and with the assistance of the expanded sales team of the Project Company, the Project Company estimates an annual growth in sales target of 18%, 18%, 14%, 11% and 1% during the period from 2026 to 2030. The below shows details of other products and their status:

– Dihydrocodeine Tartrate Tablet: Dihydrocodeine Tartrate Tablets are classified as a Class B drug under the Medical Insurance Catalog. They are primarily used to relieve moderate to severe pain. They are an existing product in the market and have been commercialized by the Project Company. Currently, the Project Company is the only manufacturer of such product in China.

– Noscapine Tablets: Noscapine Tablets are over the counter (OTC) product, with excellent cough-suppressing effects, similar to codeine (the most potent cough suppressant). It is recommended as a first-line treatment for coughs by medication guidelines, and its brand recognition and efficacy are widely recognized by doctors and patients. They are an existing product in the market and have been commercialized by the Project Company. Currently, the Project Company is the only manufacturer of such product in China.

– Allylmorphine injection: Allylmorphine Injection is classified as a Class A drug under the Medical Insurance Catalog. It is used to treat respiratory depression, hemodynamic fluctuations, and coma caused by opioid poisoning. It is primarily used for surgical patients and in ICU departments, and is a product with significant clinical and commercial value. It is an existing product in the market and has been commercialized by the Project Company. Currently, the Project Company is the only manufacturer of such product in China.

– Other general medicines: The products mainly include analgesics and cough suppressants produced by the Project Company. The active pharmaceutical ingredients mainly include noscapine, morphine phosphate, morphine sulfate, opium powder, etc., and the products mainly include compound glycyrrhiza tablets, codeine and platycodon tablets.

Based on the above growth factors driven by the products of the Project Group, the Management expects an annual revenue growth rate of 26-28% in the high growth period from 2026 to 2030. While the Management believes that the growth rate is achievable, we believe that there are certain risks or probabilities that this projection could not be achieved. Such risks are reflected by applying additional company specific risks to the Financial Projection as part of the discount rate applied in the discounted cash flow. Such company specific risks will be discussed in more detail later in this report.

Gross Profit Margin

The Project Company is projected to achieve a gross profit margin of around 43%, which is based on historical performances (39% in 2024 and 51% in 2023) as a reference, which shows that the gross profit margin has remained stable over at least the past two years. Gross profit margin is expected to further increase as scale expands and new products are expected to enter the market after 2025, but for the sake of prudence, we chose to be more conservative. Gross profit margin is calculated as the projected gross profit divided by the projected revenue.

Net Profit Margin

The Project Company is projected to achieve a net profit margin of around 15%, which is based on historical performances (12% in 2024 and 15% in 2023) as a reference, which shows that the net profit margin has remained stable over at least the past two years. Net profit margin is expected to further increase as scale expands and new products are expected to enter the market after 2025, but for the sake of prudence, we chose to be more conservative. Net profit margin is calculated as the projected net profit divided by the projected revenue.

Capital Expenditures

Capital expenditures are related to the maintenance of existing fixed assets and is expected to remain constant. Expected increase in expense is shown under operating expenses, which mainly consist of sales and distribution costs and further research costs, as already shown in the Financial Projection, is expected to increase by 339% from 2025 to 2034.

Terminal Value

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

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

For year 2035 onwards, as the Project Company is expected to achieve a stable growth rate. We have assumed that the earnings of the Project Company would reach a stable growth rate of 2.0%, which was the average CPI growth for the PRC for the past 15 years, according to historical CPI data sourced from the National Bureau of Statistics of China.

Discount Rate Development

The Weighted Average Cost of Capital ("**WACC**") was adopted as the discount rate for valuation. It is the required return on the capital investment of the Project Company. The cost of capital will be different for each source of capital and class of securities. The WACC is the weighted average of the costs of each of the different types of capital, and the weights are proportion of Project Company's capital that comes from each source. The WACC of 12.98% was computed using the following formula:

$WACC = R_e (E/V) + R_d (D/V) (1 - T_c)$
Where:
WACC = weighted average cost of capital
R_e = cost of equity
R_d = cost of debt
E = value of the firm's equity
D = value of the firm's debt
V = sum of the values of the firm's equity and debt
E/V = weight of equity
D/V = weight of debt
T_c = corporate tax rate

I. Cost of Equity

The cost of equity of 6.13% was determined using the Capital Asset Pricing Model ("**CAPM**") which describes the relationship between the risk of a particular asset, its market price and the expected return to the investor, that investors required additional return to compensate additional risk associated by the following formula:

$R_e = R_f + \beta * MRP + SCRP + CSP$
Where:
R_e = cost of equity
R_f = risk-free rate
β = beta coefficient
MRP = market risk premium
SCRP = small capitalization risk premium
CSP = company specific premium

A. R_f

In line with market practice for investments denominated in Renminbi, the yield rate of 10-years China government bond of 1.83% was adopted as the risk-free rate (R_f).

B. β

The beta coefficient (β) measures the risk of an asset relative to the overall market. It reflects the sensitivity of an asset's value to economic variables or risks that affect the values of all risky assets, including economic growth rates, interest rates, exchange rates and inflation rates. Beta for the Project Company was estimated by taking the average of the betas of the five companies listed in the section headed "Selection of Comparable Companies" below (i.e. comparable companies), adjusting for differences in corporate tax rates and leverage compositions.

The betas of the comparable companies were adjusted using a generally accepted formula which is based on the assumption that a security's beta moves toward the market average over time. The unlevered beta was calculated to consider the differences in corporate tax rates and leverage compositions of the comparable companies. The unlevered beta removes the effects of the use of leverage on the capital structure of a firm. Removing the debt component allows an investor to compare the base level of risk between various companies.

The average of the unlevered betas of the comparable companies of 0.78 was then being re-levered to 0.82 with reference to the 94.32% equity and 5.68% debt being the average debt to equity ratio of the comparable companies set out below.

The below table shows the debt to equity ratios and beta information of the comparable companies, sourced from Bloomberg:

Comparable Companies	Ticker	Reporting Currency	Market Capitalization (in million)	Market Value of Preferred Stock (in million)	Outstanding Interest-Bearing Debt (in million)	Total Debt as % of MVIC	Market Equity as % of MVIC	Debt to Equity Ratio	Effective Tax Rate	Adjusted Beta	Unlevered Beta
Jiangsu Nhwa Pharmaceutical Co., Ltd.	002262 CH Equity	CNY	25,328,055,619	0	46,723,245	0.18%	99.82%	0.18%	25.00%	0.7267	0.7257
Jiangsu Hengrui Pharmaceuticals Co., Ltd	600276 CH Equity	CNY	416,534,149,413	0	82,438,787	0.02%	99.98%	0.02%	25.00%	0.9538	0.9537
Hubei Jumpcan Pharmaceutical Co., Ltd.	600566 CH Equity	CNY	24,179,333,254	0	726,036,765	2.92%	97.08%	3.00%	25.00%	0.8968	0.8770
Haisco Pharmaceutical Group Co., Ltd.	002653 CH Equity	CNY	60,336,629,708	0	2,320,806,365	3.70%	96.30%	3.85%	25.00%	0.6884	0.6691
Humanwell Healthcare (Group) Co., Ltd.	600079 CH Equity	CNY	32,252,785,068	0	8,881,142,871	21.59%	78.41%	27.54%	25.00%	0.8107	0.6719
					Average	5.68%	94.32%				0.7795

C. MRP

The market risk premium ("**MRP**") measures the difference between the expected return on an investment in China where the Project Company operates and the risk-free rate. Based on the market risk premium research from Aswath Damodaran, an MRP of 5.25% is adopted. Aswath Damodaran is a Professor of Finance at Stern School of Business of New York University. He is well known globally as the author of several widely used academic and practitioner texts on valuation, corporate finance and investment management; as well as a provider of comprehensive data for valuation purposes.

Selection of Comparable Companies

We have searched and chosen comparable companies from Bloomberg. When selecting comparable companies, business nature is the most determinant factor. One of the considerations in determining the comparable companies is that the revenue of these companies is generated from similar businesses carried out by the Project Company. We have considered the companies that are related to or engaged in the business of the Project Company as comparable companies.

Selection Criteria of Comparable Companies

1. The comparable companies shall derive most (more than 70%) of their revenues from the pharmaceutical & medicine manufacturing business in the previous financial year;

2. Business and financial information about the comparable companies is available and publicly disclosed;

3. Sufficient data, including financial figures, market capitalization can be obtained from Bloomberg and public sources; and

4. Since the Project Company is a PRC company with substantive business operations in the PRC, the comparable companies should also be PRC companies which have operations or exposures in the PRC market. Only companies listed in the PRC are included as information of non-listed companies in the PRC (such as sales volume), which is not required to be disclosed, is not publicly available.

In the valuation practice, it is impractical to only select companies with exact same profiles (not to mention that public data is available) as the target company in determining comparable companies. We normally select the closest few based on professional judgment. As one might know, there are many pharmaceutical companies listed in China. For this valuation, we have selected the few which their products mainly comprise of anesthetics. Whether they produce with acquired patents or self-developed products are not in our consideration for this case. After exhaustive searching, we have identified from Bloomberg a total of 5 comparable companies (exhaustive) for the calculation of unlevered beta listed as follows:

Shortlisted Guideline Publicly-Traded Companies

(1) Jiangsu Nhwa Pharmaceutical Co Ltd (Bloomberg Ticker: 002262 CH Equity)

Jiangsu Nhwa Pharmaceutical Co Ltd integrates science, industry and trade into one group. The Group engages in producing medications for central nervous system and preparation of raw materials. Jiangsu Nhwa Pharmaceutical Co Ltd is listed in the PRC.

(2) Jiangsu Hengrui Medicine Co Ltd (Bloomberg Ticker: 600276 CH Equity)

Jiangsu Hengrui Pharmaceuticals Co., Ltd develops, manufactures, and markets medicines and medicine packing materials. The Company produces anti-tumor medicines, pain-killers, anti-infection medicines, aluminum foil, and other related products. Jiangsu Hengrui Pharmaceuticals markets its products in domestic and aboard. Jiangsu Hengrui Medicine Co Ltd is listed in the PRC.

(3) Hubei Jumpcan Pharmaceutical Co Ltd (Bloomberg Ticker: 600566 CH Equity)

Hubei Jumpcan Pharmaceutical Co., Ltd. manufactures pharmaceutical products. The Company produces detoxification drugs, digestive drugs, nervous system drugs, anti-infectives, analgesic anesthetics, hemostatic agents, gynecological drugs, and other products. Hubei Jumpcan Pharmaceutical also produces metal materials, chemicals, and other products. Hubei Jumpcan Pharmaceutical Co Ltd is listed in the PRC.

(4) Haisco Pharmaceutical Group Co Ltd (Bloomberg Ticker: 002653 CH Equity)

Haisco Pharmaceutical Group Co., Ltd. develops, manufactures and sells drug formulations and active pharmaceutical ingredients. The Company produces hepatobiliary disease medication, anti-infective drugs, nutrition drugs, and other related products. Haisco Pharmaceutical Group markets its products throughout China. Haisco Pharmaceutical Group Co., Ltd. is listed in the PRC.

(5) Humanwell Healthcare Group Co Ltd (Bloomberg Ticker: 600079 CH Equity)

Humanwell Healthcare (Group) Co., Ltd. develops and sells pharmaceuticals. The Company manufactures and sells anesthetics, analgesics, central nerve system drugs, and other products. Humanwell Healthcare (Group) markets its products worldwide. Humanwell Healthcare (Group) Co., Ltd. is listed on in the PRC.

D. Small Capitalization Risk Premium

Small capitalization risk premium is the excess return that an investor would demand in order to compensate for the additional risk over that of the entire stock market when investing in a small capitalization company.

A number of studies were conducted in the U.S. which concludes that the risk premium associated with a small company is over and above the amount that would be warranted just as a result of the Project Company's systematic risk derived from the capital asset pricing model. According to our initial understanding of the estimated size of the Project Company after obtaining an understanding of the Project Company's historical financial performance and position, a small capitalization risk premium of 3.38% is applied, based on the research from Cost of Capital Professional published by Business Valuation Resources ("**BVR**"). Such research is widely referenced by valuation professionals and is widely accepted by the industry as well as auditors. BVR is a generally adopted source by the industry and it's a paid source. According to BVR, for companies sized from USD2,015,000 to USD2,365,076,000, the appropriate size premium to be adopted is 3.38% (one figure for such a range). The Project Company, with a size of approximately RMB2.6 billion, falls within such range, and therefore a small capitalization risk premium of 3.38% is applied.

E. Company Specific Risk Premium

The company specific risks associated with the Project Company are ones typically associated with its business development, mainly related to the successful establishment and implementation of the business plan. Take into account the nature of the business operation and the current economic condition, which brings some kind of uncertainty to the Project Company's future performance, based on the valuer's professional judgment, we are of the opinion that the company specific risk premium of 4% should be added in developing the discount rate for the Project Company. Professional judgment is an important aspect for the accounting and finance profession. Quoted from CPA, Professional judgment is the application of accountant's accumulated knowledge, experience, and expertise, within the framework of relevant professional standards and ethical principles, to make informed and objective decisions in complex or ambiguous situations. While there is no universal standard for company specific risk premium, as a general benchmark, we would adopt a lower percentage (0-2%) for mature companies with steady business, i.e. revenue growth somewhat similar or slightly higher than CPI growth, and we would adopt a higher percentage (3-5%) for companies still in the growth stage, i.e. revenue growth much higher than CPI growth. For illustration purposes, to further breakdown the composition of the company specific risk premium, there is an operational risk premium of 1% (normal as the Project Company has just extended its operating license), and a forecast risk of 3%, which is regarded as higher than normal, given that there are several products which are pending for commercialization and there are no similar historical projects to refer to. A higher forecast risk is not justified because:

– There are still many existing products which already have a decent contribution to the revenue growth of the Project Company;

– The four major products are already on or near the commercialization stage. It is not possible that the products do not pass clinical trials and there is immaterial risk that the products will not be approved by the regulation parties.

II. Cost of Debt

The before tax cost of debt of 4.90% is assumed by the Management with reference to the lending rate of the People's Bank of China with tenor above 5 years, where the operation of the Project Company takes place. Actual debt interest rate (instead of effective interest rate) is adopted for this parameter. No actual borrowing rates information are available as the Project Company did not have any recent bank loans. Since the interest paid on debts are tax-deductible expense for the Project Company, the actual cost of debt for the Project Company would be less than the required rate of return of the suppliers of the debt capital. The after-tax cost of debt of 4.17% can be reasonably calculated by multiplying one minus the corporate tax rate of 15% by the before tax cost of debt.

III. Capital Structure

The company specific capital structure of 5.68% debt and 94.32% equity is adopted for the valuation of market value of the Project Company, being the average debt to equity ratio of the comparable companies. Proportion of debt of the Project Company is around 20%. It is general industry practice that the average of the comparable companies is adopted instead of that of the target entity. While it can be argued that using the actual D/E ratio for the purpose of determining the WACC is better, valuers generally adopt an average industry D/E ratio, normally assuming that while the ratio may deviate from the industry currently (even sometimes as cases of outliers), the D/E ratio will converge to industry norm over time. In this particular valuation, adopting the actual ratio will result in a lower WACC, hence a higher valuation result.

Discount for Lack of Marketability (DLOM)

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. Although the marketability discount is always observed and studied based on minority interest, its impact on the controlling equity interest valuation may be also substantial. In this case, the DLOM of 20.4% is adopted, with reference to "Stout Restricted Stock Study: Companion Guide (2024 Edition)", being the average discount of all observed transactions from 1980 to 2024.

Market Value of the Project Company

Based on the assumptions stated above, the market value of 100% equity interest in the Project Company is estimated to be RMB2,555,714,818. Detailed calculations are shown in Appendix 1 in this report.

Conclusion

	RMB
Market Value of 100% equity interest in the Project Company before DLOM (Note 1)	**2,555,714,818**
Less: Minority Interest (45.71%)	(1,168,176,352)
Market Value of the Project Company held by the Target Company before DLOM	**1,387,538,466**
Less: Net liabilities of the Target Holding Companies (Note 2)	(1,360,398,104)
Market Value of 100% equity interest in the Target Company before DLOM	**27,140,363**
Less: Discount on lack of marketability	20.4%
Market Value of 100% equity interest in the Target Company after DLOM	**21,603,729**

Notes:

1. Please see Appendix 1 for the calculation in arriving at this figure.

2. Net liabilities of the Target Holding Companies – As described in the introduction, each of the Target Holding Companies, i.e. the Target Company, Sino Globe, Dongguan Chenghe and Kaisa Healthcare Investment, is an investment holding company with no substantive business. The assets and liabilities of the Target Holding Companies are not related to the Project Company. The details (source: Management) are as follows:

Fixed Assets	RMB1,549
Other Receivables	RMB1,307,000
Amount due from a Fellow Subsidiary	RMB201,323,441
Cash	RMB221,908
Accrual Interest	(RMB74,958,618)
Due to a Fellow Subsidiary	(RMB380,515,747)
Estimated Liabilities	(RMB136,441,000)
Bank Loan	(RMB45,000,000)
Financial Guarantees	(RMB600,000,000)
Bank Borrowing	(RMB326,300,000)
Total Net Liabilities	(RMB1,360,398,104)

The net liabilities of RMB1,360,398,104 held by the Target Holding Companies are being deducted from the market value of the Project Company held by the Target Company before DLOM to arrive at market value of the Target Company. The figures as shown above are pre-consolidated figures. For disclosure purposes, the relevant pre-consolidated figures, and subsequently the total net liabilities, are presented in Appendix 2 of this report.

Sensitivity Test

A sensitivity test based on plus and minus 1% in company specific risk is shown as below:

Company Specific Risk	100% Market Value of Project Company	100% Market Value of Target Company
5%	2,307,003,736	(85,879,535)
4%	2,555,714,818	21,603,729
3%	2,850,693,250	149,081,943

CONCLUSION

Based upon our investigation and analysis outlined above and the valuation methods employed, it is our opinion that as of 30 November 2025, the *market value* of 100% equity interest in Embrace Blossom Limited and its subsidiaries is **RMB21,603,729**.

The conclusion of value arrived at herein is based on the assumption as stated in earlier sections in this report. We hereby certify that we have neither present nor prospective interests in the Client, the Target Company, its holding company and its subsidiaries (if any), and the value reported.

Respectfully submitted,
For and on behalf of
HONG KONG APPRAISAL ADVISORY LIMITED

Jacqueline W. Huang	**Nick Fung**
Ph.D., ASA, MRICS, FCPA(Aust.)	*CFA, CPA(Aust.)*
Managing Director	*Associate Director*

Note: Dr Jacqueline W. Huang is an Accredited Senior Appraiser (Business Valuation) of the American Society of Appraisers, a Chartered Member of the Royal Institute of Chartered Surveyors and a Ph.D. in real estate economics from the University of Hong Kong. She has been conducting business valuation for various purposes since 2005 and has extensive experience in transaction services..

Analyse and report by:

Dr. Jacqueline W. Huang, ASA, MRICS, FCPA(Aust.)
Nick Fung, CFA, CPA(Aust.)
Ryan Ng, MSc

CERTIFICATION

I certify that, to the best of my knowledge and belief:

– The statements of fact contained in this report are true and correct.

– The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limited conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

– I have no present or prospective interest in the Target Company that is the subject of this report, and I have no personal interest with respect to the parties involved.

– I have no bias with respect to the Target Company that is the subject of this report or to the parties involved with this assignment.

– My engagement in this assignment was not contingent upon developing or reporting predetermined results.

– My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this valuation.

– My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with International Valuation Standards.

– Anyone provided significant assistance to the person signing this certification is identified in the report.

Jacqueline W. Huang,
Ph.D., ASA, MRICS, FCPA(Aust.)

CERTIFICATION

I certify that, to the best of my knowledge and belief:

– The statements of fact contained in this report are true and correct.

– The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limited conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

– I have no present or prospective interest in the Target Company that is the subject of this report, and I have no personal interest with respect to the parties involved.

– I have no bias with respect to the Target Company that is the subject of this report or to the parties involved with this assignment.

– My engagement in this assignment was not contingent upon developing or reporting predetermined results.

– My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this valuation.

– My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with International Valuation Standards.

– Anyone provided significant assistance to the person signing this certification is identified in the report.

Nick Fung, *CFA, CPA(Aust.)*

CERTIFICATION

I certify that, to the best of my knowledge and belief:

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– Anyone provided significant assistance to the person signing this certification is identified in the report.

Ryan Ng, *MSc*

NORMAL SERVICE CONDITIONS

The services provided by Hong Kong Appraisal Advisory Limited will be performed in accordance with professional standards. We assume, without independent verification, the accuracy of all data provided to us. Our report is to be used for the specific purposes stated herein and any other use is invalid. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare or distribute to third parties may be made without our written consent. All files, workpapers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least five years.

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. In the event we are subject to any liability in connection with this engagement, 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 process or proceedings.

APPENDIX 1
DISCOUNTED CASH FLOW CALCULATION (IN RMB)

All figures in RMB unless specified otherwise		Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Extrapolated
Financial year		2023	2024	2025	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Period from		2023-1-1	2024-1-1	2025-1-1	2025-12-1	2026-1-1	2027-1-1	2028-1-1	2029-1-1	2030-1-1	2031-1-1	2032-1-1	2033-1-1	2034-1-1	Terminal
Period to		2023-12-31	2024-12-31	2025-11-30	2025-12-31	2026-12-31	2027-12-31	2028-12-31	2029-12-31	2030-12-31	2031-12-31	2032-12-31	2033-12-31	2034-12-31	Year
Days		365	366	334	31	365	365	366	365	365	365	366	365	365	365
Year Number				Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 10+
Partial year factor				*0.91*	*0.08*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	
Discounted cashflow calculation															
Naloxone Hydrochloride Injection				–	–	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	
Buprenorphine Injection				8,576,153	779,650	17,588,909	58,431,373	112,984,597	200,000,000	300,000,000	360,000,000	414,000,000	434,700,000	434,700,000	
Hydromorphone Injection				–	–	6,371,681	15,355,752	55,444,339	119,444,145	200,000,000	240,000,000	276,000,000	289,800,000	287,750,300	
Papaverine Hydrochloride Tablets				64,606,408	5,873,310	94,485,476	125,156,601	185,726,939	271,030,245	500,000,000	640,725,729	738,405,296	810,626,369	853,357,675	
Others (including existing API, etc)				452,251,806	41,113,801	583,861,744	691,164,116	790,782,163	880,646,297	888,634,480	992,147,264	1,066,196,827	1,147,651,346	1,237,251,317	
Revenue		455,134,640	495,956,707	494,737,175	78,463,952	722,307,811	910,107,842	1,164,938,037	1,491,120,688	1,908,634,480	2,252,872,993	2,514,602,123	2,702,777,716	2,833,059,292	2,889,720,477
Revenue growth rate			9%	16%		26%	26%	28%	28%	28%	18%	12%	7%	5%	2%
Less: Cost of revenue (COGS)		(225,049,305)	(300,809,812)	(287,813,721)	(41,713,908)	(412,592,214)	(519,866,190)	(665,428,723)	(851,748,765)	(1,090,238,420)	(1,286,872,221)	(1,436,375,521)	(1,543,864,022)	(1,618,282,661)	(1,650,648,314)
Less: VAT and additional expenses		–	–	–	–	–	–	–	–	–	–	–	–	–	–
Gross profit (GP)		230,085,336	195,146,895	206,923,454	36,750,044	309,715,597	390,241,652	499,509,314	639,371,922	818,396,060	966,000,773	1,078,226,603	1,158,913,693	1,214,776,631	1,239,072,163
Administrative expenses						(36,115,391)	(45,505,392)	(58,246,902)	(74,556,034)	(95,431,724)	(112,643,650)	(125,730,106)	(135,138,886)	(141,652,965)	
Selling and distribution expenses						(108,346,172)	(136,516,176)	(174,740,706)	(223,668,103)	(286,295,172)	(337,930,949)	(377,190,318)	(405,416,657)	(424,958,894)	
Research and development expenses						(33,225,991)	(42,615,992)	(55,357,502)	(71,666,634)	(92,542,324)	(109,233,122)	(121,923,358)	(131,047,266)	(137,364,117)	
Less: Operating expenses		(153,560,775)	(131,251,299)	(126,176,932)	(32,382,611)	(177,687,553)	(224,637,560)	(288,345,109)	(369,890,772)	(474,269,220)	(559,807,720)	(624,843,782)	(671,602,809)	(703,975,976)	(718,055,495)
Less: Depreciation and amortisation difference					(4,784,355)	(4,567,982)	(4,461,509)	(4,402,561)	(4,108,607)	(4,354,645)	(4,639,310)	(4,745,645)	(3,591,165)	(3,293,285)	(3,359,151)
Operating income		76,524,561	63,895,596	80,746,522	4,367,434	132,028,044	161,142,582	206,761,644	265,372,543	339,772,196	401,553,743	448,637,175	483,719,719	507,507,370	517,657,517
as% of revenue		17%	13%	16%	6%	18%	18%	18%	18%						18%
Add: Non-operating incomes/ (expenses)		(1,502,049)	3,053,218	(125,170)	4,872,413	2,072,000	2,072,000	2,072,000	2,072,000	2,072,000	2,072,000	2,072,000	2,072,000	2,072,000	2,072,000
as% of revenue		–0.33%	0.62%	–0.03%	6.21%	0.29%	0.23%	0.18%	0.14%	0.11%	0.09%	0.08%	0.08%	0.07%	0.07%
Earning before interest and tax (EBIT)		75,022,512	66,948,814	80,621,352	9,239,846	134,100,044	163,214,582	208,833,644	267,444,543	341,844,196	403,625,743	450,709,175	485,791,719	509,579,370	519,729,517
EBIT Margin		16%	13%	14%	17%	19%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Add: Interest income/(expense)		1,814,420	1,278,675	1,316,265	1,543,555	449,348	449,348	449,348	449,348	449,348	449,348	449,348	449,348	449,348	449,348
Earning before tax (EBT)		76,836,932	68,227,489	81,937,616	10,783,401	134,549,392	163,663,930	209,282,992	267,893,891	342,293,544	404,075,091	451,158,523	486,241,067	510,028,718	520,178,865
EBT Margin		17%	14%	17%	14%	19%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Less: Income tax expense		(9,195,593)	(7,363,837)	(11,179,548)	(998,342)	(20,182,409)	(24,549,590)	(31,392,449)	(40,184,084)	(51,344,032)	(60,611,264)	(67,673,778)	(72,936,160)	(76,504,308)	(78,026,830)
Effective tax rate *Per Management* 15.0%		12%	11%	14%	9%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Net profit (NP)		67,641,339	60,863,653	70,758,068	9,785,059	114,366,983	139,114,341	177,890,544	227,709,808	290,949,512	343,463,827	383,484,745	413,304,907	433,524,410	442,152,035
NP Margin		15%	12%	14%	12%	16%	15%	15%	15%	15%	15%	15%	15%	15%	15%

All figures in RMB unless specified otherwise			Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Extrapolated
Financial year			2023	2024	2025	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Period from			2023-1-1	2024-1-1	2025-1-1	2025-12-1	2026-1-1	2027-1-1	2028-1-1	2029-1-1	2030-1-1	2031-1-1	2032-1-1	2033-1-1	2034-1-1	Terminal
Period to			2023-12-31	2024-12-31	2025-11-30	2025-12-31	2026-12-31	2027-12-31	2028-12-31	2029-12-31	2030-12-31	2031-12-31	2032-12-31	2033-12-31	2034-12-31	Year
Days			365	366	334	31	365	365	366	365	365	365	366	365	365	365
Year Number					Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 10+
Partial year factor					*0.91*	*0.08*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*	
Cash flow adjustments																
Add: Depreciation and amortisation						240,783	4,567,982	4,461,509	4,402,561	4,108,607	4,354,645	4,639,310	4,745,645	3,591,165	3,293,285	3,359,151
Add/(Less): After-tax interest expenses/(income)						(1,312,021)	(381,946)	(381,946)	(381,946)	(381,946)	(381,946)	(381,946)	(381,946)	(381,946)	(381,946)	(381,946)
Less: Capital expenditure						(35,364)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(3,359,151)
Less: Change in working capital						(61,954,301)	137,748,443	(56,119,161)	(20,943,659)	(13,606,488)	(86,632,842)	34,783,081	(39,956,814)	(29,930,839)	(19,071,465)	(6,409,879)
Free Cash Flow to Firm (FCFF)						(53,275,845)	251,301,462	82,074,743	155,967,499	212,829,981	203,289,369	377,504,272	342,891,630	381,583,287	412,364,285	435,360,210
Year						0.04	0.58	1.58	2.58	3.58	4.58	5.58	6.58	7.58	8.58	
Present value factor	WACC	13.0%				0.99	0.93	0.82	0.73	0.65	0.57	0.51	0.45	0.40	0.35	
Net present value						(53,000,642)	233,989,198	67,640,803	113,771,049	137,413,337	116,174,063	190,947,867	153,514,094	151,209,523	144,633,626	
Sum of present value	*Terminal growth rate*	2.0%			1,256,292,918											
Present value of terminal value					1,390,703,744											
Net present value of invested capital (excluding surplus cash)					**2,646,996,661**											
Add: Non-operating assets					30,202,808											
Less: Non-operating liabilities					(121,484,651)											
Market Value of 100% equity interest of 青海製藥有限公司 before DLOM	*1-54.84%*99%*	45.71%			**2,555,714,818**											
Less: Minority interests					(1,168,176,352)											
Market Value of 青海製藥有限公司 holding by parent before DLOM					**1,387,538,466**											
Less: Net Liabilities by holding company					(1,360,398,104)											
Market Value of 100% Target Company before DLOM	*Tab 'DLOM'*	20.4%			**27,140,363**											
Less: Discount on lack of marketability					(5,536,634)											
Market Value of 100% Target Company after DLOM					**21,603,729**											

Appendix 2: Pre-consolidated figures as of Valuation Date

Embrace Blossom Limited

As at 30 November 2025

BALANCE SHEET	Embrace Blossom Limited *RMB*	Sino Globe Limited *RMB*	誠合實業發展(東莞)有限公司 *RMB*	佳兆業醫療(深圳)有限公司 *RMB*	Total *RMB*
ASSETS					
Non-current assets					
Fixed assets	–	–	–	1,549	1,549
Long term investment	1	–	290,000,000	581,657,680	871,657,681
	1	–	290,000,000	581,659,229	871,659,230
Current assets					
Other receivables	–	–	–	1,307,000	1,307,000
Prepayment	–	–	–	4,932	4,932
Amount due from group companies	–	1	90,168,147	–	90,168,148
Amount due from a fellow subsidiary	–	–	–	201,323,441	201,323,441
Cash and bank balances	–	–	1,302	220,606	221,908
	–	1	90,169,449	202,855,980	293,025,430
Current liabilities					
Trade creditors	–	–	–	–	–
Accrual interest	–	–	–	(74,958,618)	(74,958,618)
Amount due to Group companies	(1)	–	–	(90,207,667)	(90,207,668)
Amount due to a fellow subsidiary	–	–	(380,299,447)	(216,300)	(380,515,747)
Estimated liabilities	–	–	–	(136,441,499)	(136,441,499)
Bank loan	–	–	–	(45,000,000)	(45,000,000)
Financial guarantees	–	–	–	(600,000,000)	(600,000,000)
	(1.00)	–	(380,299,447.28)	(946,824,085.12)	(1,327,123,533.40)
Net current assets	(1.00)	1.00	(290,129,998.14)	(743,968,105.53)	(1,034,098,103.67)
Non-current liability					
Bank borrowing	–	–	–	(326,300,000)	
	–	–	–	(326,300,000)	**Net Liability** (1,360,398,104)