

*The following is the text of a report received from the Offeror's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this joint announcement.*



**REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF SUNSHINE LAKE PHARMA CO., LTD.\* (廣東東陽光藥業股份有限公司)**

**TO THE BOARD OF DIRECTORS OF SUNSHINE LAKE PHARMA CO., LTD.\*  
(廣東東陽光藥業股份有限公司)**

We refer to the discounted future cash flows on which the valuation of Sunshine Lake Pharma Co., Ltd.\* (the "Offeror") dated 10 May 2024 prepared by China Sunrise Capital Limited (the "Valuer") in respect of the appraisal of an estimated value of the shares in the ordinary share capital of the Offeror as at 31 December 2023 (the "Valuation") is based. The Valuation is prepared based in part on the discounted future cash flows and is regarded as a profit forecast under Rule 11.1(a) of the Code on Takeovers and Mergers issued by the Securities and Futures Commission (the "Takeovers Code").

**Directors' Responsibilities**

The directors of the Offeror (the "Offeror Directors") are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Offeror Directors and Valuer as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; 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 behaviour.

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" which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to report, as required by Rule 10.3(b) of the Takeovers Code, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

*\* for identification purpose only*

## **Basis of Opinion**

We conducted our engagement in accordance with the 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 obtain reasonable assurance as to whether, so far as the calculations are concerned, the Offeror Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Offeror Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Offeror Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

## **Opinion**

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in accordance with the bases and assumptions as set out in the Valuation.

## **Other matters**

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Offeror or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the forecast period. Further, since the discounted future cash flows relate to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under Rule 10.3(b) of the Takeovers Code and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG

**KPMG**

*Certified Public Accountants*

Hong Kong

10 May 2024